FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,794 Wednesday June 9 1982 ***30p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 35; DENMARK Kr 3.50; FRANCE Fr 5.00; GERMANY DM 2.0; ITALY L 1,000; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pta 85; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 50p; MALTA 30c

NEWS SUMMARY

GENERAL

Hospitals strike is a success say unions

National Health Service trade unions claimed success as more than 60,000 non-NHS workers joined their third 24-hour strike in support of a 12 per cent pay claim.

The Government acknowledged this was the biggest strike so far, with the strongest action in parts of the North, particularly Yorkshire. There miners who walked out in support brought the coalfield to a near-standstill.

No indication was given, however, that the Government would make concessions. The TUC health services committee may decide today to step up the dispute. Back Page

Airliner crashes

All 135 people, including nine crew, were killed when a Boeing 727 of Brazilian airline Vasp crashed in mountains near Fortaleza on a flight from Sao Paulo.

Pope for Poland

Polish church and state authorities have agreed on a visit to Poland by the Pope in August. Page 2

Flights cut

British Airways cancelled 16 of its 23 intercontinental flights in a dispute with cabin crews claiming longer rest-periods. Page 12

Windsor scare

The Queen Mother was safe yesterday after a mid-air scare over Windsor when her helicopter developed a fault seconds after take-off and a precautionary landing was made.

Father punished

A Birmingham man who assaulted his three-month-old daughter after her crying awoke him, fracturing her skull and causing permanent brain damage, was ordered to do 200 hours unpaid community work.

Third World call

Ways to channel money to the Third World to avert energy crises were called for by the chairman of the International Energy Development Corporation. Page 8

Fraser's threat

Australian Premier Malcolm Fraser said that if necessary he would recall Parliament to overrule Victoria's plan to make the State a nuclear-free zone. Page 4

Moonies raided

French police raided centres of Sung Myung Moon's Unification Church in Paris and six other cities on a judge's orders. They questioned 45 people and seized documents.

Wigs off in court

As the heatwave continued, judges and lawyers at the Court of Appeal removed their wigs. In anti-drought moves in the West Country a hosepipe ban was introduced in 58 more Devon parishes. Weather, Back Page

Briefly . . .

Westminster Press former managing director William Morrell left £244,458 net.

Swiss mountains claimed 217 lives last year, 12 more than in 1980, mostly due to climbers' inexperience.

South Africa detained two people in connection with recent explosions in Natal.

BUSINESS

Equities up 1.4; £ falls 1 cent

● STERLING closed in London 1 cent down on the day at \$1.782. It rose to DM 4.2775 (DM 4.27), FFr 11.1175 (FFr 11.1075) and SwFr 3.6425 (SwFr 3.64), but eased to Y440 (Y440.5). Its trade-weighted index was unchanged at 90.9. Page 32

● DOLLAR rose to DM 2.405 (DM 2.382), FFr 6.24 (FFr 6.2), SwFr 2.0425 (SwFr 2.03) and Y246.9 (Y245.75). Its trade-weighted index was 116.6 (115.9). Page 32

● GOLD rose \$6 in London to close at \$330.375. In New York,

the Comex June close was \$331.5 (\$337). Page 25

● EQUITIES: the FT 30-share index closed 1.4 up at 594, having been within a point of its record 597.3 soon after the opening. The FT-Actuaries All-Share reached an all-time high of 340.98 per cent (339.26). Page 31

● GILTS: the Government Securities Index slipped to 70.39 (70.4). Page 31

● WALL STREET was 1.61 down at 802.42 near the close. Page 30

● EEC mandatory controls on steel production were renewed for another year after Italy allowed its objections to be overridden. Back Page

● JAPAN AND EEC face a further dispute on the conditions for granting export credits this year. Page 6

● UK AND JAPAN are close to agreement on a framework for co-operation in telecommunications technology. Back Page

● DEPARTMENT of Industry launched a £60m aid scheme to encourage engineering companies to automate production lines with electronic techniques. Page 10

● BRITISH GAS Corporation is being harried by the Government from exploring in prospective oil-producing areas of the UK Continental Shelf. Page 10; London oil spot prices, Page 25

● MANUFACTURERS' output prices increased by only 0.5 per cent last month. Back Page

● POST OFFICE Engineering Union has accepted a pay package with British Telecom which would give an 8 per cent rise all round, but it includes 5.25 per cent pay cuts for new staff. Page 12

● MIDLAND BANK is raising £100m by placing a 25-year unsecured loan stock, following Barclays' similar move four months ago. Back Page

● MIDLAND and International Banks, 45 per cent owned by Midland Bank, raised pre-tax profits by 12.04 per cent to £12.7m for the year to March 31. Page 23

● BASS'S taxable profits fell by £8.4m to £43.1m for the 28 weeks to April 10. Page 20; Lex, Back Page

● SKETCHLEY lifted pre-tax profits by 41 per cent to £7.28m for the year to April 2. Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Bambers	26	+ 3
Blue Circle	476	+ 12
Bowater	220	+ 6
British Cmwlth	466	+ 13
Bulmer (H. P.)	435	+ 13
Carr's Milling	79	+ 5
Cater Allen	325	+ 10
Chemring	390	+ 10
Daejan	167	+ 6
Extel	353	+ 13
Gerrard National	288	+ 13
Glass Glover	142	+ 8
Habitat Mothercare	154	+ 6
Heath (C. E.)	327	+ 14
Lex Service	130	+ 5
Merrydown Wine	88	+ 5
Midland Bank	350	+ 12
NatWest Bank	452	+ 9
Notts Mnfg	188	+ 6
Pilkington	248	+ 11
Plessey	465	+ 10
Prov Financial	127	+ 6
Rock Darham	14	+ 2
St George's Group	138	+ 6½
Sound Diffusion	111	+ 8
Tarmac	598	+ 12
Thorn EMI	423	+ 6
Yarrow	385	+ 20
Doornfontein	768	+ 27
Driefontein	£10	+ ½
RTZ	420	+ 8
UC Invs	425	+ 35
FALLS		
Amal Metal	390	− 20
Bass	240	− 7
Brent Walker	73	− 6
Henlys	89	− 3
Sothebys	290	− 17
TI	138	− 6

Israeli army in Lebanon near link with Christian forces

BY DAVID LENNON IN TEL AVIV AND NORA BOUSTANY IN BEIRUT

ISRAELI armoured forces struck more deeply into Lebanon yesterday and, at nightfall, were near to cutting the main road between Beirut and Damascus, the Syrian capital.

The Israelis were close to linking with the Christian forces in the north, which have received considerable military supplies from Jerusalem over the past few years.

In Jerusalem Mr Menahem Begin, the Israeli Prime Minister, told Parliament that Israel would soon request negotiations with "the legitimate Lebanese government and propose a peace treaty on the basis of the total territorial unity of Lebanon." He said Israel had no territorial ambitions in Lebanon.

[In London, President Ronald Reagan urged Israel to "bring its forces home," while Mrs Margaret Thatcher, the Prime Minister, insisted that the territorial integrity of Lebanon must be restored and the Palestinian people be allowed self-determination.

Mr Alexander Haig, the U.S. Secretary of State, said that the U.S. had launched a diplomatic campaign for a ceasefire in Lebanon, followed by Israeli withdrawal. However, he said no U.S. decision had been taken on punitive action against Israel.]

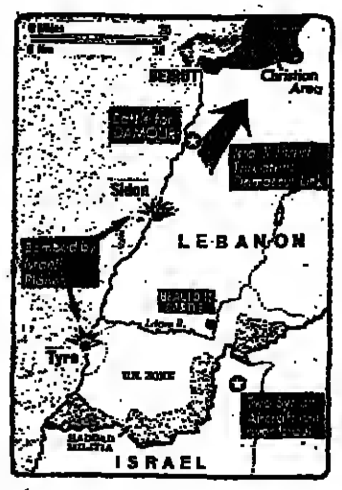
It looked increasingly likely that Israel was planning to occupy all of Lebanon up to the Beirut-Zahle line. Its aim seemed to be to join up with the Christian forces, and recreate Lebanese unity by force under a pro-Israel, Christian government.

The Israeli Prime Minister was reported to have issued a set of four demands, which would have to be met before the Israeli forces would be pulled out:

● The withdrawal of all Syrian forces from Lebanon.

● The restoration of the areas formerly controlled by the Palestine Liberation Organi-

Continued on Back Page
Middle East reports Page 4;
Editorial Comment Page 18



Reagan calls for freedom crusade

BY REGINALD DALE

PRESIDENT RONALD REAGAN used his historic speech to both Houses of Parliament yesterday to launch a worldwide "crusade for freedom" in which the U.S. would aid democratic forces in both Right-wing dictatorships and Communist countries.

His address was the first by an American President to a joint meeting of members of both Houses.

In a sharply anti-Soviet speech he called on the Western democracies not to be shy about their achievements, and to go over to the offensive against "international Communism."

At a subsequent lunch at 10 Downing Street Mrs Margaret Thatcher described the speech as "a triumph," Mr Alexander Haig, U.S. Secretary of State, said later.

The most applauded part of Mr Reagan's wide-ranging speech, however, was a brief section in which he renewed American support for the British forces fighting in the Falklands.

The young British soldiers were not fighting for "mere real estate," faraway lumps of rock and earth, he said.

"They fight for a cause, for the belief that armed aggression must not be allowed to succeed, and that people must participate in the decisions of Government under the rule of law.

"If there had been firmer support for that principle some 45 years ago, perhaps our generation wouldn't have suffered the bloodletting of World War II," he said.

Mr Reagan's main theme was the peaceful nature, and superiority, of democracy in contrast to the evils of totalitarianism and dictatorship.

To some mirth from his audience, he challenged President Leonid Brezhnev, the Soviet leader, to a reciprocal television exchange in which Mr Reagan would speak to the Soviet people and Mr Brezhnev to the Americans.

He also suggested that panels of Soviet and American newsmen should periodically appear on each other's screens to discuss major events.

Mr Reagan announced a privately-financed study in which Democrats and Republicans would participate to see how the U.S. could best contribute "to the global campaign for democracy now gathering force."

Representatives of business, labour and other major institutions of U.S. society would co-operate in the study, he said.

Though the initial funding will be private, the aim is to determine how both U.S. Government and private finance could be channelled to "supporters of democracy," such as political parties and trade unions, in non-democratic countries, both Right and Left.

Mr Reagan approvingly cited West German political activity of this nature as a precedent. Text of speech and pictures Page 6; Parliamentary sketch Page 12

Continued on Back Page

Thatcher rules out new move for ceasefire

BY PETER RIDDELL AND DAVID TONGE

MRS MARGARET THATCHER ruled out any fresh diplomatic initiative at the UN yesterday to secure a ceasefire in the Falklands, but still left open the option of Argentina's being able to withdraw its forces from the islands.

The conclusion of most MPs was that it was now only a matter of time, possibly only a short period, before there was news of the retaking of Port Stanley.

During questions in the Commons yesterday Mrs Thatcher stressed that Britain had tried for a long time to get a peaceful settlement, but had been blocked by the Argentine junta.

"We shall now have to take back by force what the Argentines would not give up by adhering to the UN Security Council resolution," she said.

In reply to pressure from Mr Michael Foot, the Opposition Leader, Mrs Thatcher saw no point in a fresh British iniative at the UN, since, Argentina she claimed it was that stood in the way of peace, not Britain.

Nevertheless it is clear that the Government seeks to retain international support by providing a last opportunity for Argentine with drawal without humiliation.

Mrs Thatcher said: "If the Argentines tell us that they are prepared to withdraw, we shall enable them to do so with safety, dignity, and despatch. So far we have had no positive response."

Every British Embassy has been instructed to underline that Britain continues to give Argentina the option of an honourable withdrawal.

But in Buenos Aires President Leopoldo Galtieri said that Argentina would withdraw troops only if Britain did so too, and handed control of the Falklands for a period to the UN.

He warned Britain that Argentina would fight on for years for control of the islands.

In an interview with the Spanish newspaper Ya he said: "Supported by Hispanic America and many other peoples in the world, Argentina is ready to continue with the war for as many months or years as it is necessary".

This spectre of the Falklands coming under continued attack after repossession has already caused Britain to ask the U.S. to join in security arrangements to protect the islanders.

Mr Alexander Haig, U.S. Secretary of State, said yesterday that the U.S. response "would depend very much on the conditions of such a peacekeeping force, its mandate, its terms and the political framework under which it was set up."

Britain plans to ask other countries in Latin America for help to ensure the islanders the peace they need to decide on their future.

While officials underlined the Government's belief that the islanders would not want the Argentines involved in any way in their future administration, they also insisted that no firm decision had been made to rule this out totally for all time.

Since the seven-nation Versailles summit there has been only limited discussion about the Falklands between British Ministers and officials and President Reagan and his team.

The issue may have been raised in the ten minutes that the two countries' Foreign Ministers met alone yesterday, but was not discussed in the rest of their talks.

British officials last night were underlining the support Mr Reagan gave yesterday to the "young men" fighting for Britain. They admit that no agreement has yet been reached on what follows repossession of the islands.

Parliament Page 12

Port Stanley almost sealed off

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITISH forces are believed to be well on their way to sealing off the Argentine garrison in Port Stanley. It was confirmed yesterday that the hills to the north of the Falklands Islands capital have been captured by British troops.

According to figures released today some 9,000 British troops, including Royal Marines, paratroopers, Guards, Ghurkas and support troops, have been landed on the Falklands.

Not all of these are yet deployed in the Port Stanley area, but correspondents with the task force say troops have been arriving over the past few days to reinforce those established for the last week on and forward of Mount Kent, which controls the coastal plain to Port Stanley.

Yesterday defence officials confirmed that British troops have outflanked the Argentines to the north of the capital and almost certainly control the hills of Mt Longdon and Wireless Ridge.

FALKLANDS WEATHER: *Cloudy and cold.* SW winds force 6-7 with 10-12 ft seas. Temp upper 20s. **OUTLOOK:** Sunny and cold. Winds westerly force 6-7 with 10-12 ft seas. *Increasing cloud.* Temp low 30s.

The Defence Ministry continued to allow what operational news there is of the campaign to come from correspondents on the spot.

Yesterday, despite persistent reports, it was unable to confirm either that Major-General Moore, the land forces commander, had ordered surrender leaflets to be dropped, or that he had spoken by radio to Gen Mario Menendez, the Argentine commander, urging him to surrender.

● A Liberian-registered, American-owned supertanker, the Hercules, radioed yesterday that it had been bombed by an unidentified propeller-driven aircraft 480 miles north east of the Falkland Islands, the U.S. coast guard reported.

No details of the exact damage or casualties aboard the 1,067 ft tanker were available. The tanker was bound for Alaska but is believed to be carrying no oil. The Ministry of Defence said no British aircraft took part in the attack.

Falklands crisis, Page 6

Major banks cut base lending rates to 12½%

BY PAUL TAYLOR AND MAX WILKINSON

THE major banks lowered their base lending rates yesterday by half a point to 12½ per cent.

The move came as official estimates suggested that the money supply was on target and that inflationary pressures were easing.

Market rates have been lowered by the recent strength of sterling, the market's optimism about the outcome of the Falklands crisis, and the possibility that the problem of U.S. budget deficits could be resolved this week.

The Bank of England indicated strongly in the past few days that it was prepared to sanction a cut in base rates, which determine most overdraft charges.

The Bank evidently believes that the somewhat slower rate of increase in clearing banks' lending to the private sector, suggested by figures out yesterday, allows room for manoeuvre on interest rates.

However, it seems unlikely that there will be an early reduction in mortgage rates.

The Bank may also have been influenced by the sharp fall of the inflation rate in April to an annual rate of 9.4 per cent and a further easing of industry's costs, announced yesterday.

Its latest estimate of the growth of the money supply suggests that sterling M3, the broad measure of money, has been growing at an annual rate of about 10 per cent since February. The Government's target is between 8 and 12 per cent.

Alliance index-linked plan Page 10; Bank staff may block Saturday opening Page 12; Midland Bank loan stock issue Back Page; Lex Back Page

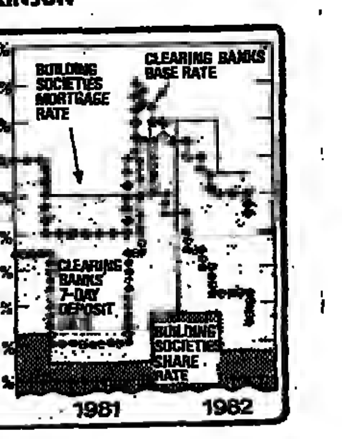
The pound's value remained unchanged yesterday against a basket of currencies, as measured by the Bank of England, in spite of a cut in interest rates.

The cut in base rates was the first since March 1 and the seventh reduction since base rates stood at 16 per cent in October.

The cut had been widely expected after an easing in UK short term interest rates. The National Westminster Bank led the move and was followed quickly by all the other major retail banks.

The banks are reducing their deposit rates to savers at the same time, to 9.5 per cent, a cut of three quarters of a percentage point or half a point, depending on the individual bank.

Midland, later in the day cut its interest rate to Access card



borrowers by a quarter of a percentage point to 2 per cent, a reduction in the annual percentage rate (apr) from 30.6 per cent to 26.82 per cent.

The High Street banks said they had no "immediate" plans to reduce interest rates on their home mortgages in spite of the base rate cut.

The view of most of the retail banks is that mortgage rates had moved down ahead of base rates

Andrew Taylor writes: Building societies are also unlikely to reduce the recommended 13¼ per cent mortgage rate when the Council of the Building Societies Association meets in London on Friday. Most of the clearing banks charge 13¼ per cent on home loans, although they claim that differing methods of calculating interest payments make bank mortgages fully competitive with those of building societies.

The reduction in bank base rates yesterday was thought to be insufficient to trigger a response by the societies—particularly as banks had not reduced their mortgage rates.

Building society lending continued to run at record levels in May and monthly net receipts were at their highest for at least 16 months. Societies are thus under little immediate pressure to change their rates.

Building society figures for last month are due to be published on Friday. These are expected to show that societies have promised about £4.5bn to borrowers in the past three months. Net receipts of £437m in April were the highest since January 1981. Returns from leading building societies indicate that receipts for May might have been even higher.

£ in New York

–	June 7	Previous
Spot	\$1.7875-7990	\$1.7885-7845
1 month	0.33-0.28 pm	0.22-0.26 pm
13 months	0.94-0.99 pm	0.80-0.85 pm
2 months	3.25-3.35 pm	2.95-3.05 pm

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UK and France close to accord on fishing rights

BY LARRY KLINGER IN BRUSSELS

BRITAIN AND France are on the verge of settling their long-standing dispute over fishing rights in British coastal waters.

If the talks are finally successful, they could remove the most acrimonious stumbling block to the establishment of an EEC common fisheries policy (CFP), a goal that has eluded the European Community despite six years of almost continuous negotiation.

Following months of diplomatic activity which culminated in Monday's meeting in London between Mr Peter Walker, the British Fisheries Minister, and his French counterpart, M Louis Le Pensec, both sides acknowledge that their talks have "at last borne fruit."

While refusing to commit themselves publicly ahead of discussions within their own governments and with their respective fishing industries, officials acknowledge that, on the ministerial level, all the serious hurdles have been cleared.

Agreement on the "access" question, however, would not guarantee the establishment of CFP. Still outstanding would be the question of the share-out of the available fish among the EEC member-states, an issue which involves not only Britain and France but Denmark, West Germany, Ireland, Belgium and the Netherlands.

Nevertheless, without agreement between Britain and France, no CFP would be possible.

Pressure for agreement has been growing steadily as the December deadline approaches for the expiration of Britain's transitional fishing arrangements following accession to the EEC 10 years ago.

France, supported by considerable EEC legal opinion, maintains that, when the transitional arrangements expire, fishing in all Community waters would be open to all Community fishermen.

Britain, whose coastal waters hold more than 50 per cent of the EEC's most valuable fish, maintains that its current exclusive six-mile coastal limit and 12-mile zone allowing only limited "historical rights" to others would remain intact if nothing was put in its place on an agreed EECwide basis.

Clearly, without a resolution of the problem before the end of the year, another EEC constitutional crisis could be in prospect, similar to the recent farm prices disputein which Britain's veto was overridden by a majority of the member-states.

The European Commission will this week take up the question of new fishing quota proposals to present to the EEC fisheries ministers when they meet in Luxembourg next Tuesday.

U.S. gloom over steel exports agreement

By Richard Lambert in New York

THE PROSPECTS for reaching a negotiated agreement with Europe on steel exports to the U.S. were "extremely slim," Mr Bill Brock, the U.S. Trade Representative, said in Washington yesterday.

Mr Brock's comments came two days before the U.S. Department of Commerce is scheduled to give a preliminary ruling on whether carbon steel exported by European companies to the U.S. is being sold at unfair prices.

Thursday's decision is regarded by the U.S. steel companies as a crucial event in the unprecedented assault which they launched on steel imports earlier this year.

Around 40 per cent of U.S. steel imports are subject to complaints alleging unfair pricing either due to government subsidies or dumping. Thursday's decision will cover the basic steel anti-subsidy cases, which form the bulk of those in question.

In the past few days, there have been suggestions of a last-minute attempt to reach a voluntary agreement between the U.S. and the European producers in order to avoid what could become a serious international trade issue.

But Mr Brock said yesterday that talks between U.S. trade officials and Europeans to work out an agreement to avoid the need for a Commerce Department ruling were informal and not what he would characterise as negotiations.

If the Commerce Department finds that steel imports are being subsidised by foreign governments, importers will have immediately to post bonds covering the alleged subsidies. The preliminary findings will be subject to final ratification by the Commerce Department and the U.S. Trade Commission later this year.

Comecon summit opens

BUDAPEST — Mr Gyeorgy Lazar, the Hungarian Prime Minister, told the Comecon summit which opened here yesterday that the "most reactionary circles of imperialism" were "trying to freeze mutually advantageous East-West economic relations."

Although he did not mention the United States by name, he was referring to attempts by President Ronald Reagan to persuade the Western allies to impose trade and credit restrictions on the Soviet Union and Eastern Europe.

AP-DJ

SOCIALISTS GAIN MOST IN LOCAL ELECTIONS

Big Italian parties see support ebb

BY RUPERT CORNWELL IN ROME

THE LATEST round of Italian elections has provided further proof of the inroads that the Socialists and their smaller centrist allies are making into the vote of the Christian Democrats and, above all, that of the Communists, traditionally the country's two dominant parties.

Last weekend's voting involved almost 900,000 people, in towns scattered up and down the country. Although the figure represents barely 2 per cent of the total national electorate, the consistency of the trend makes the outcome a useful pointer to the country's political mood.

The biggest victors were the Socialists, who increased their strength in towns of more than 5,000 voters (where results are decided on a proportional basis) by around 4 per cent to almost 14 per cent. But significant gains were also scored by the other smaller "lay" parties in the present government coalition—the Social Democrats, the Liberals, and the Republican Party headed by Sig Giovanni Spadolini, the Prime Minister.

The Christian Democrats and Communists both lost about 2 per cent of their support. But the latter in particular must be deeply worried about their particularly poor showing in the South. In Castellammare di Stabia, close to Naples and regarded as a reliable pointer to trends in the South in general, the Communists lost around 5 per cent of the vote.

In national terms, the outcome could weigh upon the meeting soon of leaders of the five coalition parties, which will decide the immediate future of Sig Spadolini's 11-month-old administration.

The position of the Prime Minister himself has probably been strengthened. But the key will be the attitude of Sig Bettino Craxi, the Socialist leader: whether the results incline him to press for a general election as soon as possible, with the aim of cashing in on his party's current popularity, or to hold off (perhaps until next spring) in the belief that the tide has yet further to run in his favour.

The early indications are that he may prefer to wait. Nevertheless, economic problems could cause the meeting to be tense. A forthcoming series of measures to cut spending and boost Government revenues could arouse controversy.

Another factor is the decision by Confindustria, the private employers' association, to pull out of the agreement on the *Scala Mobile* system of wage indexation. Italy's three biggest unions yesterday confirmed a one-day general strike in protest, to be held on June 25.

On both issues, divergences have been evident between the Christian Democrats, who are broadly in favour of a tougher line, and the Socialists, who are anxious to avoid responsibility for harsh economic decisions, unlikely to be popular with the electorate.

Last night, Intersind, the association of public employers, was due to announce its own stand on whether to begin negotiations for three-year labour contracts, and whether to follow Confindustria's example and withdraw from the *Scala Mobile*.

Nuclear power scheme takes step forward

BY JAMES BUXTON IN ROME

ITALY'S DRIVE to construct a series of nuclear power stations to stave off the alarming prospect of power shortages towards the end of the decade has taken a modest but significant step forward.

The regional governments of Lombardy and Piedmont, two of the three regions asked by Rome to designate sites for the proposed power stations on their territory, had done so by yesterday's deadline, set six months ago. A third region, Apulia in the south-east, has failed to do so, partly because of a political turmoil in its ruling council.

Any region that has not met the request for the designation of a possible site—which must be chosen in accordance with the national map of seismic data—can have the choice made over its head by the central Government. But such a step would only be taken if it were considered politically opportune.

The designation of a site is only the start of a lengthy process of obtaining further approval, though it means that detailed tests on the site itself can now take place. The next crucial stage, is to gain the firm approval of the local commune or municipality covering the site.

Theoretically, this process should take a year and a half, to be followed by the start of construction. It is reckoned that seven years will then be needed for the completion of the planned 2000MW pressurised water reactor plants.

Obtaining the firm consent of the commune has been a serious stumbling block, recently holding up the construction of a plant north of Rome for nearly a year after site preparation had begun. But opposition to nuclear power has become less strident lately, tending to concentrate on issues of compensation rather than of principle.

The main political parties increasingly have inclined to favour nuclear power, acknowledging its attractions for a country that lacks significant resources of oil and coal.

Italy relies on oil—almost all of it imported—for 67 per cent of its energy needs, against an EEC average of 55 per cent. Nuclear power provides an almost negligible proportion of its energy needs, from only three functioning plants.

Because of the failure to commence the building of nuclear and coal fired power stations, Italy has suffered several winters of power cuts and reductions. The situation will improve in the next two years as plant comes on stream, but will then deteriorate in the second half of the decade, since only one large power station has been commenced since 1974.

ITALY'S campaign to attract tourists, and with them precious foreign currency, moves into top gear this week with the re-launch of cut-price petrol coupons for foreign visitors, coupled with the introduction of special reductions in motorway tolls, writes Rupert Cornwell.

The package is tailored to provide particular benefits for travellers to poorer southern Italy. The total saving could amount to L78,000 (£33), with the guarantee of a free emergency breakdown service.

All tourists arriving by car will be entitled to coupons granting them a L150 (6p) discount on up to 150 litres of petrol. The advantage will be all the more welcome in that petrol prices here are set to rise this week from the present level of L960 per litre (£1.80 a gallon). In addition they will receive coupons worth L10,000 (£4.24) off motorway fees.

Those journeying south of a line from Rome to Pescara on the Adriatic will be eligible for an extra L16,000 (£6.77) of motorway toll reductions, and up to an extra 200 litres of cheap petrol.

The facilities will be available at frontier posts and tourist offices inside and outside Italy from tomorrow. The authorities hope they will help ensure a bumper tourist season, after a generally disappointing 1981.

Go-ahead in Poland for Pope's visit

By Christopher Bobinski in Warsaw

THE POLISH CHURCH and the state authorities have agreed on a visit by the Pope to Poland in August.

After a meeting yesterday in Warsaw, senior Polish bishops issued a communique saying they "joyously repeat their invitation to the Pope to the 600th anniversary celebrations in Czestochowa this August."

This decision was conveyed to the Polish authorities at a church and state meeting which began at the parliament building soon after the bishops' meeting ended. The authorities are expected to approve the visit.

Apparently both sides have agreed that the Pope should go to Czestochowa, but the programme is still tentative and will depend on political developments.

The visit became possible after the Pope decided to go both to the UK and Argentina despite the conflict between the two countries.

The Polish Church will be emphasising the pastoral aspects of the visit, and the precedent set by the visit to Britain and Argentina means that he will be able to keep contacts with Poland's martial law authorities to a minimum.

The proposed visit introduces a new dimension to Poland's rather stagnant political scene and strengthens the hand of the church in its relations with the authorities and its command of popular attention.

The visit weakens hardliners in the establishment arguing for for a policy of no concessions as well as radicals in Solidarity pressing for a confrontation with the Government.

General Jaruzelski's martial law adminisation no doubt regards with apprehension the prospects of the massed crowds out to see the Pope, but evidently the notion that the visit will confer a form of respectability on the regime has outweighed those fears.

Also, the authorities will no doubt have been attracted by the effect the visit could have on Western policy towards Poland, especially as news of the trip comes in the week of the Nato summit and President Reagan's tour of Europe.

The Pope will be coming to celebrate the anniversary of the arrival of the picture of the Black Madonna at Poland's national shrine in Czestochowa.

If there is a sharp deterioration in the political situation, then, of course, the visit will become impossible. This conviction will no doubt add vigour to the efforts of the church and moderates in the party leadership like Mr Kazimierz Barcikowski to maintain the social peace and start talks on a national accord before August.

The church, too, will now no doubt launch a programme preparing the faithful for the visit, which the radicals will avoid disrupting with calls for demonstrations or strikes.

In a reassuring signal to the Polish authorities, the Pope has made Bishop Bronislaw Dabrowski secretary of the Polish bishops' conference. He has been responsible for contacts with the authorities for many years.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

Oslo Government wins backing for policy change

BY FAY GJESTER IN OSLO

NORWAY'S minority Conservative Government has won narrow Parliamentary approval for an industrial project which represents a significant change of policy from that of the previous Labour administration.

Parliament voted 79—76 to cancel plans to build a state-owned aluminium plant in Tyssedal, where an obsolete smelter was scrapped several years ago. But in order to provide work for some of the 260-strong labour force previously employed in aluminium smelting, it approved the Government schemo to build an ilmenite smelter which will make titanium and pig iron.

The ilmenite plant will cost less, use much less electricity and make products for which there is a better market. Aluminium smelters in Norway are losing NKr 1,000 (£92) on every tonne they produce because of world over-supply.

The government feared that another aluminium plant—in addition to its high initial cost—would saddle the state with a loss-making enterprise which would have to be subsidised because of its vital role as a provider of jobs in a small community. Norway already has several of these, all based on cheap hydro-electric power.

The local, state-owned company, has a "right" to the amount of cheap electricity which an aluminium smelter would have used as an ilmenite smelter, therefore it will be able to sell its surplus power. This will also improve the economics of the project.

The Labour Party and its parliamentary ally, the small Socialist Left Party, claim the Government has betrayed the interests of the local population. They point out that an ilmenite plant will provide only 177 jobs, compared with 262 for the aluminium smelter.

An MP of the far right Progress Party said both projects were just job creation experiments at the taxpayers' expense.

Portugal's MPs set time limit for constitution

By Diana Smith in Lisbon

AFTER A week's haggling, the Portuguese Parliament has agreed to devote 102 hours to debating proposed alterations to the 1976 constitution.

Only when the constitution is reviewed and the Military Council of the Revolution is disbanded, to be replaced by a civilian Council of State and Constitutional Tribunal, can crucial supplementary legislation be introduced, re-opening banking and insurance to private capital.

The Communist Party, opposed to any liberalisation of the Socialist-inspired constitution, wanted no time limits for the debate because of their vital importance.

As it is, the reforms—for which all eight parties represented in Parliament have offered proposals—are months overdue. With an extension of the legislature into late July, they could be discussed and voted on before the two-month summer break, but the proceedings so far have been so sluggish that this may be over-optimistic.

Dissension in the ranks of West Germany's peace movement

BY JAMES BUCHAN IN BONN

THE WEST GERMAN federal capital of Bonn, a torpid city of functionaries and pensioners, is wearing an unusually baggard air as it prepares for to-day's *arrival* of *President* Ronald Reagan and for its first ever summit meeting of Nato heads of State and government.

It is also a city of coalitions where nothing is done without lengthy bargaining and a truly monstrous volume of documentation. There is the Coalition Government, which has just suffered losses at the Hamburg by-election which would have floored politicians less inured to compromise; and then there is the peace movement, a coalition of no fewer than 1,830 groups, which plans to mobilise some 200,000 people on Thursday against nuclear re-armament, the policy of the alliance and President Reagan's defence build-up.

President Reagan will probably see little of this army of peacemongers as his delegation is ferried about, in well-chaperoned groups, from airport to Bundestag to banquet and back again. The Bonn police have insisted that the demonstration be held, not in the Hofgarten in Bonn itself where the last great peaceful show of strength took place last October, but across the Rhine in a park originally designed for a horticultural show.

The President may bear occasional catches of speeches or singing; but the predominant sound blowing over the river could well be that of wheedling and dissension. For the "new" peace movement, which gathered force last summer and culminated in a 250,000-strong rally last October 10, can feel its strength but does not yet know quite what to do with it.

"There is nothing surprising in that," says Herr Jo Leinen, one of two main spokesmen of the committee organising tomorrow's demonstration. "We are, after all, a coalition."

The West German peace movement is an extremely heterogeneous mass, reflecting origins as diverse as the "green" movement of ecologists in the 1970s, women's rights, the protests of the 1960s, the anti-bomb rallies of the 1950s and ultimately, through the churches, the anti-war movement of the Weimar Republic. The demonstrators tomorrow will even include disillusioned former officers of the Bundeswehr, such as ex-General Gerd Bastian—a talisman to the eager young people around him—who *seems to argue that since nobody* knows how the Soviet Union is deterred it would be worth examining deterrence at a much lower level of armament.

One goal upon which practically all of the demonstrators are agreed is to prevent the deployment, starting at the end of 1983, of new U.S.-medium range nuclear missiles in West Germany and four other Western European countries. Deployment will go ahead if there is no progress made at talks on Intermediate-range Nuclear Missiles (INF) between the U.S. and the Soviet Union in Geneva.

"We are all agreed on INF," Herr Leiner says, "and probably also on a nuclear-free zone in Europe. Beyond that, well," and his voice is lost in the rattle of typewriters and the chaos of excitement of the peace committee's office.

The differences are manifold but chiefly concern the attitude to be taken to the Soviet Union, and its build-up of weaponry, notably the 200 and more SS-20 intermediate-range missiles installed since 1978; the special position of West in relation to East Germany, where an analogous peace movement has been heavily stamped on; and to what extent the peace movement should be held back from an avowed anti-Americanism reminiscent of the time of the Vietnam war.

Matters came to a head at a meeting to discuss tomorrow's rally in *April* in *Bad Godesberg*, an even more stolid town just upstream from Bonn. The Protestant church and the ecologists, including the Greens, who formed a federal political party in early 1980, strongly resented the concentration on U.S. iniquity and what they considered to be packing of the meeting by the *orthodox West* German communist party (the DKP), and other Marxist groups.

"They played only a tiny role at the *October* peace demonstration," said Herr Lukas Beckmann, one of the leaders of the Greens. The Greens insisted on having speakers from East Germany and withdrew from the demonstration and refused to sign the declaration. They have now agreed to take part again.

Other peace groups say that the Greens, with 25,000 members, were merely angling for the votes of respectable citizens and have been rewarded by their dazzling success in the Hamburg election last weekend, where a Green grouping emerged as third strongest party. Indeed, their headquarters in Bonn, neatly squeezed between the Social Democrats and the Christian Democrats, is scarcely distinguishable from these political barracks except that the Greens' lawn is left unmown, in organic profusion.

Herr Beckmann denies these charges. The Greens have accepted the demonstration's manifesto but added a rider. This takes over the symbol of the East German peace movement, Swords into Ploughshares, but adds "in East and West." "The best hope for our aims is a dismantling of the great power blocks," Herr Beckmann says.

Another group, Action for Reconciliation, which was *strongly* involved last October, has withdrawn entirely because of what they believe is an anti-U.S. slant.

Herr Leinen insists that the demonstration is not designed at the person of Ronald Reagan, but that a Nato summit is a Nato summit and the U.S. is its greatest power. "I expect the movement to take a much greater interest in the numbers and details of Soviet nuclear armament in the next months," he says.

Nevertheless, the demonstration's manifesto holds closely to the Soviet view over what, in the *field* of intermediate-range missiles, ought *to be* negotiated at Geneva and the movement accepts the Soviet contention of Nato superiority.

Economic outlook gloomy for Dutch

By Walter Ellis in Amsterdam

THE Netherlands' economy is going down hill fast, Mr Dries van Agt, the Prime Minister, told Parliament yesterday, promising urgent remedial action. His pessimistic outlook is confirmed by the latest report of the Dutch Central Planning Bureau, which expects unemployment to rise again this year. It also forecasts stagnant industrial production, a rise in wages above the projected rate of inflation, and a decline in the standard of living.

The Bureau says unemployment could reach 525,000 this year, or more than 10 per cent of the workforce. Prices are likely to rise by 5.5 to 6 per cent and wages by an average of 6.5 per cent.

The rate of productivity gains in the Netherlands has been declining for some time, and the Bureau foresees little change in this pattern this year. Exports, it says, could push up *manufacturing output* by 2 per cent. Construction, however, should fall by 3.5 per cent, and there could also be a *drop in the level* of energy production.

In the Bureau's opinion, wage rises, though above the level of inflation, will not be enough to compensate for large rises in social security contributions, the current 0.5 per cent employment surcharge on income tax and cutbacks in family allowance—all brought in within the last year.

Turning to company performance, te Bureau perceives some recovery of the very low rate of corporate profitability, but links this to the continuation of low interest rates. It sees private consumption ufalling by 2 per cent, corporate investment by 4 per cent, housebuilding by 3 per cent and government spending on capital projects by 1.5 per cent.

Export performance is expected to remain good, with a projected 2 per cent increase keeping the country in step with the general trend in world trade. The rise, according to the Bureau, will take place despite a 12 per cent fall in the volume of natural gas exported.

Reagan visit worries West Berlin

FOR DAYS Herr Richard von Weizsaecker, West Berlin's governing Mayor, has been urging West Berliners to give a "heartfelt welcome" to President Ronald Reagan who, he said, was coming to Berlin to "get to know us better," writes Leslie Colitt in Berlin.

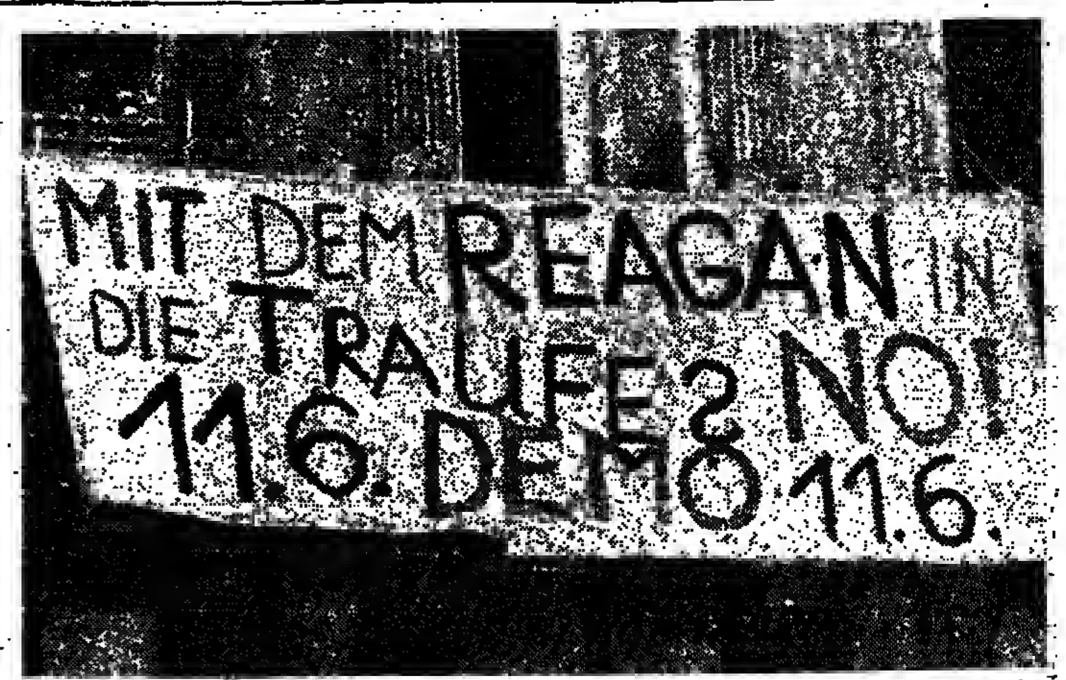
Mr Reagan said recently he was anxious to learn the motive of these people who were planning to demonstrate against him on his trip. But neither welcomers nor protesters will get very close to the President, who will begin *what security officials call the* most hazardous portion of his European trip when he arrives in West Berlin on *Friday morning*.

More than 180 groups plan to hold a massive rally tomorrow, parallel to the one in Bonn, against Nato's decision to introduce new U.S. nuclear missiles to West Germany.

The city's Far Left Alternative List (AL) party applied for permission to demonstrate on Friday outside Charlottenburg Castle when President Reagan is to speak to 20,000 invited West Berliners. The police, however, said the rally outside could not take place until the President had left Berlin at 2.30 pm. The AL has promised to "stage imaginative peaceful actions" to undermine the Mayor.

West German and U.S. security officials speak of "violent elements" from all over West Germany, converging on West Berlin for the President's visit. The West Berlin police force, which is mobilising its voluntary section for the first time, has bad practice in clearing the streets of demonstrators. At a parade on the recent Allied Forces day demonstrators who ventured on to the boulevard were dragged into immediate custody by the *not-always gentle riot police*.

For weeks the police have been removing slogans such as "Reagan go home" and much more explicit exhortations from building walls. Anti-Reagan stickers have been impounded; along with a tape containing battle sounds which was allegedly to be played in public on President Reagan's arrival. Such pre-emptive measures were carried out without regard for legal counteraction under two Allied orders dating from the 1950s which ban publications containing "derogatory remarks" about the occupying powers.



"From the frying pan into the fire with Reagan? No." A poster in West Berlin promises the *leader* a ho t reception

Apel urges that detente policy be continued

BY JONATHAN CARR IN BONN

WEST GERMANY has urged that the *policy* of detente with the East bloc be pursued despite setbacks, and stressed that it would suffer most in any future European war.

Herr Hans Apel, the Defence Minister, makes these points in *an article published today—on* the eve of the summit conference here of the North Atlantic Treaty Organisation.

He stresses that the alliance must not neglect its conventional forces, so that it can resist *attack from* the East effectively without early resort to nuclear weapons. He also points out, however, that a key hope of detente is that it will help *achieve through negotiation* a rough East-West military balance at the lowest possible level of force.

One of Bonn's principal aims at the summit is to gain endorsement of these two principles—military preparedness and detente—from all participants, including the United States.

The West Germans are likely to gain what they are after, although the word "real" or "genuine" may be inserted before the word "detente" at the urging of Washington.

The "Bonn declaration" of Nato could then be used by West Germany as implicit backing for a continuation of its *Ostpolitik*—not least of its efforts to improve relations with the other German state.

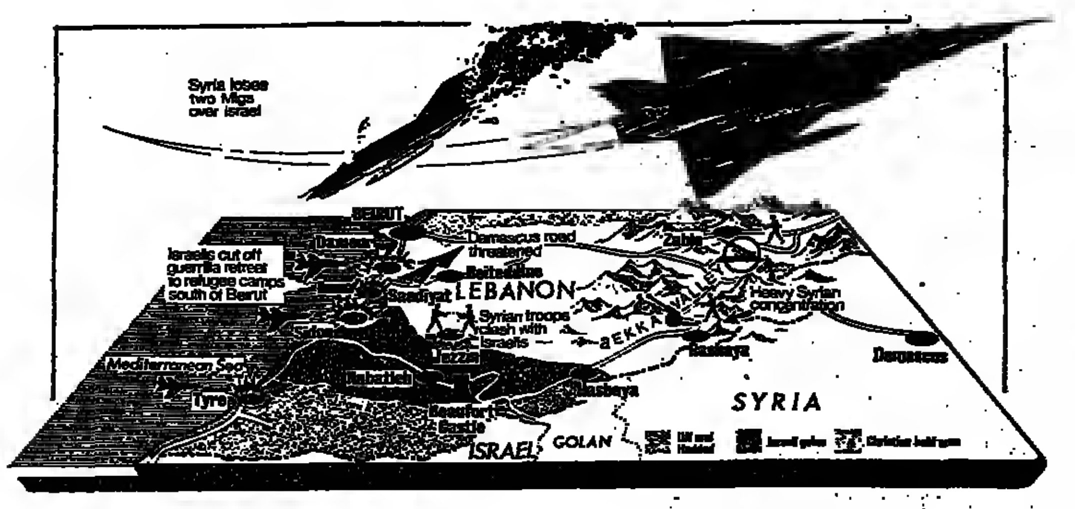
In his article Herr Apel stresses that all Nato states share the burdens and risks of the allaince, but that if it comes to a war then West Germany will be the battlefield.

Even neighbouring states like France and Britain—let alone the U.S.—are in a more satisfactory position than West Germany, although they have their own troops on German soil, Herr Apel says.

While supporting maintenance of Nato's conventional strength, the Minister also speaks out against the recent suggestion by former hight U.S. officials that Nato formally renounce first use of nuclear weapons to halt a Soviet conventional attack.

This proposal, says Herr Apel, would imply an actual strengthening of the West's conventional forces. Even if all member states managed to achieve the Nato aim of an annual increase in defence spending of 3 per cent *in real terrs— and fewer* and fewer seem able to do this —the necessary troop strength would not be achieved.

As the Israeli invasion of Lebanon completed its third day yesterday, FT writers assess its effect on the rest of the Middle East



Probing the Israeli credibility gap

BY STEWART DALBY IN TEL AVIV

THREE DAYS after their invasion of southern Lebanon, there is still a wide gulf between what the Israelis appear to be doing and what they say they are doing.

Their ostensible objective is to neutralise forces of the Palestine Liberation Organisation (PLO) in southern Lebanon and ensure that they will never again be able to shell the towns and Kibbutzim in northern Galilee. To do this, the Israelis have said they will establish a 40km cordon sanitaire along their border.

The Israelis say that the PLO had some 6,000 to 8,000 armed men in southern Lebanon, together with about 300 field guns, mostly 130mm pieces with a range of 27.5km, and 155m guns with a range of 23.5km, along with BM 21 Katushya rocket launchers and mortars.

Before last weekend they are thought to have had 80 tanks, largely Russian-made T54s and T34s. The PLO's total manpower strength in Lebanon is put by the Israelis at 15,000.

Asked yesterday how the campaign was going, an Israeli military spokesman said: "We are well on the way to knocking out all the terrorist pockets in southern Lebanon."

He mentioned in particular the concentration of PLO forces around Tyre, where there are thought to be 1,500 PLO men and at Nabatiya. The campaign would therefore seem to have been a lightning success.

But if the Israelis merely wanted to destroy the PLO in the border area, there would be no need to capture Sidon, 60 km from the Israeli border, or shell Damour, 20 km further north.

Israeli news management is so tight that the British Ministry of Defence's handling of the Falklands crisis looks wildly indiscreet. Nevertheless, it is difficult to escape the feeling in Tel Aviv that the "Peace in Galilee" campaign is a much bigger operation than anyone is letting on. The key question is, what is its ultimate objective?

It is not at all clear what the Israeli's mean by a 40 km buffer zone. At some points, such as Sidon, they have advanced well over 40 km into Lebanon; in other places, notably to the north-east, where they might come into contact with the Syrians at Rachaiya, they appear to have held back.

It is clear that the Israelis have thrown in many more troops than in the Litani operation in 1978. Discotheques have been closed and there are numerous advertisements in local newspapers cancelling receptions and parties because of the situation in the north. Reservists who were not activated in 1978 have been called up, according to local reports.

It will be surprising if a force of anything less than 20,000 men had been committed, and the numbers could be as high as 60,000. Roads to the north yesterday were busy with men and material making their way to the front lines.

It is probable that the Israeli's minimum objective is not just to clean out a limited area in the south of Lebanon but the thorough destruction of the PLO infrastructure in the country.

Iran offers help to Syria

By Louis Fares in Damascus and Our Foreign Staff in London

A top-level Iranian delegation has arrived in Syria to offer military help in stemming the Israeli advance in Lebanon.

President Hafez al-Assad of Syria held immediate talks with Colonel Salimi, the Iranian Minister of Defence, Colonel Sayyed Shirazi, the Army Commander, and Mr Mohsen Rezai, who heads the Revolutionary Guards.

The Iranian delegation carried a message from Mr Ali Khamenei, the Prime Minister, in which he promised help in the struggle against "Zionism, the battle to liberate the occupied territories, and the occupation of southern Lebanon."

Although there is little immediate practical help the Iranians can provide, the visit of such a senior delegation to Damascus is clearly intended to contrast with the attitude of some Arab states, such as Saudi Arabia, which have offered only condemnation of the Israeli invasion.

The Iranian offer is also recognition of the support provided by Syria in the Gulf war. In part because of their bitter ideological dispute with Iraq, the Syrians have provided a steady flow of arms and ammunition to Tehran and have joined the Iranians in demanding the overthrow of Iraq's President Saddam Hussein.

Iran has also presented its latest military success in the Gulf war as a step on the road to freeing Jerusalem from Israeli occupation. This has not stopped Iran from accepting military aid from Israel.

Mr Ariel Sharon, the Israeli Defence Minister, admitted in Washington last month that "a small amount" of military aid had been sent to Tehran. But he insisted that it did not represent any wider support for Iran in the war.

Soviet Union 'not asked for aid'

By Anthony Robinson in Moscow

THE PALESTINE Liberation Organisation has not asked the Soviet Union for military assistance in the present conflict and does not intend to do so, the PLO representative in Moscow, Mr Mohamed Asheir, said yesterday.

He praised the Soviet Union for its "principled stand" in support of the Palestinian people. The Soviet Union had supplied the PLO with arms, military training and economic and scientific help, he said.

PLO likely to survive, bloody but unbowed

BY ROGER MATTHEWS IN LONDON AND NORA BOUSTANY IN BEIRUT

THE PALESTINE Liberation Organisation is today fighting for survival—a battle from which militarily it will certainly emerge mauled but politically perhaps rather less badly damaged.

Already it is clear that the Israeli invasion of Lebanon has cleared the Palestinians from most of their major bases south of Beirut. Although the PLO has tended to organise on more conventional military lines during the past 18 months, there is no doubt that, as the Israelis advance, the Palestinians will revert to classical guerrilla tactics.

Khalil al Wazir, better known as Abu Jihad, the Commander of Fatah's Assifa forces and deputy commander of the PLO revolutionary forces, said: "We don't care how much land the Israelis occupy, because our guerrillas will continue their hit and run operations, behind enemy lines."

The larger PLO formations will now have broken up into relatively small groups, which, though out of contact with any headquarters structure, will prove difficult for the Israelis to flush out without a massive military presence.

These groups will probably be able to mount hit and run raids against smaller targets, especially when the Israelis halt and try to establish a longer-term military presence.

The initial Israeli advantage of massive armoured weight, artillery and air strikes is far more effective against established positions than against individual groups of men. The Palestinians will, of course, have serious resupply problems but they are well practised in spreading the locations of the arms and ammunition dumps.

During the March 1978 invasion of south Lebanon, small groups of Palestinian guerrillas were still trickling back into headquarters from behind Israeli lines days after the advance had halted. One group explained in detail how the Israelis had been wary of moving off the main metalled roads, thus allowing the Palestinians fairly free access, especially at night, to the surrounding countryside.

Mr Yassir Arafat, the PLO leader, is thought to have at least 15,000 men directly under his control, although it could be as high as 20,000. No more than about 400 were killed when Israel invaded in 1978. The death toll this time is certain to be much higher but is unlikely to be more than a small proportion of total Palestinian armed strength.

Palestinians concede that their forces in south Lebanon have "suffered a major blow." But one military expert in Beirut predicted that the loss of land in southern Lebanon was "immaterial to the fate of the guerrilla movement."

He predicted that the guerrillas would be driven northward towards the Lebanese mountains and the Bekaa Valley where Syrian soldiers of the all-Syrian Arab Deterrent Force are in control, in addition to some left-wing Lebanese militia groups.

Palestinian officials maintain that contingency plans have already been worked out with the Syrian leadership.

The escaping guerrillas will remain a problem if Israel wishes to impose its own political solution on Lebanon.

Many are likely to have already fallen back into Beirut despite Israeli attempts to cut the road north of Sidon. Without an intensive and costly street-by-street operation, they will be extremely difficult to flush out. Those that have moved into Syrian-controlled areas are also beyond reach, unless Israel wishes a full-scale war with Syria.

It is not difficult, therefore, to estimate that perhaps up to 10,000 Palestinian guerrillas will evade the Israeli grasp. However, should the Christian forces in east Beirut and the north of Lebanon become involved, the situation for the PLO might become more difficult.

These overall constraints must place a serious question mark over Israel's chances of driving the Palestinians out of Lebanon. A major body of opinion in the Israeli cabinet would like to see all the guerrillas transferred to Jordan where there is already a substantial Palestinian population.

However, King Hussein would, literally, fight to prevent that, as President Assad probably would too if the Palestinians were driven into Syria.

Without more brutal Israeli action, it appears likely that many Palestinian guerrillas will stay in Lebanon. Unless there are massive military and political restraints it will not take them long to begin regrouping and then rearming.

Israel will undoubtedly be considering how to prevent this happening, but meanwhile Mr Arafat will be looking at how best to guarantee his personal and political survival without losing all independence.

Increasing pressure on the PLO leadership to shift into an unyielding hard-line attitude would ultimately bring changes at the top of the umbrella organisation. Mr Arafat has had to exert enormous efforts in recent months to keep the lid on the more extremist factions in his ranks, growing restless with the lack of results moderation has brought.

The recent emphasis placed by the PLO leader on the diplomatic search for a Middle East settlement, and his initial support for the peace plan advanced by Crown Prince Fahd of Saudi Arabia, has caused a serious strain in relations with Syria.

Mr Arafat will not wish to fall under total Syrian control, but may have little option but to come more into line with President Assad's wishes.

Within the Arab League, Mr Arafat will probably be greeted as a hero. The last Israeli invasion gave the Palestinian leader added stature, where for the first time in a Middle East war, his forces stood alone against Israel. The Saudis and other Gulf states will be yet more generous in their supply of funds.

While the situation on the ground remain so fluid, it is very difficult to guess which way the PLO will now develop. Certainly it is likely to survive and certainly it will become more hard-line. Those who argued that it was pointless to rely on diplomacy, Europeans backing and a shift of U.S. view, will have proved their point.

Israeli soldiers on an armoured personnel carrier move through the port city of Sidon, now surrounded by their forces

U.S. tries diplomatic persuasion

By Reginald Dale

MR ALEXANDER HAIG, the U.S. Secretary of State, yesterday said that the U.S. had launched a major diplomatic campaign to secure a ceasefire, accompanied by an Israeli withdrawal from south Lebanon. He made it clear, however, that the U.S. was not yet ready to apply sanctions against Israel.

Mr Haig, in London for President Ronald Reagan's state visit, said that Mr Reagan thought the first priority was to do everything possible to bring about "a termination to the bloodshed." Mr Reagan repeated his call to Israel to "bring its forces home" in yesterday's Westminster address to members of both Houses of Parliament.

No U.S. decision had yet been taken on whether sanctions or punitive action should be taken against Israel, Mr Haig said. "For the moment, arms shipments would continue, but there was "not very much in the pipeline."

The U.S. would defer judgment on which side was "culpable" in the conflict until it had made a full assessment. Washington also had to assess whether the Israelis had used U.S.-supplied equipment in south Lebanon in "justifiable self-defence."

If the Administration decided that Israel was not acting in self-defence, it has to notify Congress. Israeli raids on Iraq's nuclear reactor and Beirut last year, in which U.S.-made aircraft were involved, led to a temporary suspension of deliveries of advanced U.S. fighters.

Mr Haig said that contacts between Mr Philip Habib, Mr Reagan's special envoy in the Middle East, and Mr Menahem Begin, the Israeli Prime Minister, had been "initially profitable" but were still continuing.

The Israeli advance was proceeding at a very quick pace, Mr Haig said. By yesterday afternoon, forward units were engaged at Damour, north of Sidon, and the forces left at Tyre had seized a portion of the city. Israeli forces had penetrated 25 miles into Lebanon in line with the Israeli cabinet's objective of removing Palestinian artillery from range of northern Israel.

The U.S. had been closely watching activity by the Syrian armed forces and had not yet concluded that a decision had been taken in Damascus to become involved, Mr Haig said. On the ground, the Syrian army had taken some steps to increase its readiness and there had been some movement of forces towards the Lebanese border, but these had not been substantial.

Some talk, but little action, as Assad avoids all-out war

BY PATRICK COCKBURN IN DAMASCUS

"SYRIA doesn't have the will or the military means to fight Israel," said a diplomat in the Syrian capital of Damascus yesterday. "There will be some aircraft knocked down and artillery fire but President Assad wants to avoid an all-out war."

There are few signs in Syria that the Government of President Hafez al-Assad expects a conflict with Israel. No general mobilisation has been declared. civilians have not been moved out of hospital to make way for possible military casualties and no air defence precautions are being taken in Damascus.

If the Israelis do not threaten the crucial Bekaa Valley or the areas held by the 23,000 Syrian soldiers in Lebanon, then the Government is likely to limit its military action against Israel. Exchanges of artillery fire, even the loss of at least five jet fighters shot down by the Israeli Air Force since the invasion started, are unlikely to change their stance.

The Syrian passivity springs primarily from the belief that they will lose any all-out war. They have no military allies in the Arab world likely to render immediate assistance. They fear that they might get involved in a full-scale war with Israel by accident, one local observer noted. They will make the "requisite amount of noises but take the minimum amount of action," a diplomat added, more cynically.

Some noise is being made in the local media. Clashes between Syrian and Israeli troops, usually denied by Tel Aviv, are strongly emphasised. An armoured brigade was moved into Lebanon on Monday with maximum publicity, with some military attaches openly photographing the tanks with Syrians objections. But the Government has yet to summon Western ambassadors to complain about the invasion.

If Israeli attacks are confined to areas outside Syrian control, this policy of restraint by Damascus will probably continue. A change could come, however, if the Israeli ground forces move north through the Bekaa Valley. This move would turn the left flank of the Syrian army defending Damascus.

A long continuation of the conflict will also put increasing heavy political pressure on President Assad to move heavy forces to support the Palestinians. Otherwise Syria's reputation as a "confrontation state" against Israel, on the basis of which Damascus was promised $1.85bn a year from its Arab allies in 1978, will begin to look very thin.

For this reason, the Palestinians intend to try to draw out the conflict. Earlier this year Mr Yassir Arafat, chairman of the Palestine Liberation Organisation (PLO) said his forces would try to keep fighting for at least 10 days, to draw in the other Arabs on his side. The PLO would not agree to any ceasefire.

But Syrian-Palestinian relations have not been very good over the last six months. The Syrians suspect Mr Arafat's sympathy for the Saudi peace plan, while the PLO does not want to become too reliant on Syria. Discussions between the two on a joint political strategy, which have been going on in Damascus for the last few months, failed to produce a result.

The problem is that Syria has no military allies on whom it can rely. Its relations with Iraq, whose government it wants to see overthrown, are notoriously had and those with Jordan scarcely better. Its alliance with Iran has strengthened President Assad diplomatically within the Arab world, but Ayatollah Khomeini is too far away to back up his offer of military assistance.

Saudi Arabia has maintained amicable relations with Damascus despite the fact that the two countries backed different sides in the Gulf war. President Assad's brother, Mr Rifaat al-Assad, the second most powerful man in Syria, was in Saudi Arabia last weekend and the Saudis are keeping up their subsidy payments. The Syrians are somewhat nervous, however, that the return of Egypt to the Arab fold may reduce their leverage in Riyadh.

But while Syria needs Saudi money, there is little that Crown Prince Fahd can do to support the Syrian army if it gets involved in an all-out war with the Israelis. It is therefore hardly surprising that President Assad wishes to do all he can to avoid a conflict.

But as he also needs to maintain his credibility as leader of a confrontation state, skirmishing with the Israelis will continue, receiving maximum publicity in the Syrian media but not escalating too far.

This is a difficult tightrope for President Assad to walk. In a short sharp conflict between Israel and the Palestinians he is likely to succeed, but a more prolonged war will make it difficult for him to maintain his balance.

OTHER OVERSEAS NEWS

Japanese cabinet faces threat from Lockheed bribery verdict

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE COURT rulings in the Lockheed bribery affair, announced yesterday, in which two members of Japan's ruling Liberal Democratic Party have been mentioned, are likely to cause serious problems for Prime Minister Zenko Suzuki.

Yesterday's guilty verdicts on two defendants were the third to be handed down since the Lockheed hearings began, but the first to involve politicians who were members of the ruling Liberal Democratic Party when the affair occurred.

What makes the ruling even more ominous for the Government is the announcement by the court of a list of "grey officials" who were not on trial for various technical reasons, but who are said to have accepted money from Lockheed.

The list includes two members of the Liberal Democratic Party at present in the Diet, one of whom, Mr Susumu Nikaido, holds the key post of secretary general of the party.

Mr Nikaido was appointed LDP secretary-general in a cabinet and party reshuffle last November and is generally regarded as a close associate of former Prime Minister Kakuei Tanaka, the Lockheed affair's most celebrated defendant. The inclusion of his name on the Tokyo district court's list of "grey officials" seems certain to focus public attention on the links between the present Suzuki cabinet and the extremely powerful Tanaka faction (without whose support Mr Suzuki would not have been able to obtain power).

The court ruling could also drive a wedge between Mr Suzuki and the leaders of other powerful LDP factions who resent the influence wielded by the Tanaka faction.

The two men who were formally found guilty yesterday, and who have been given suspended prison sentences of two years and two and a half years, are Mr Takayuki Sato, who was a parliamentary Vice Minister of Transport when Lockheed started trying to sell its Tristar aircraft to Japan in the early 1970s and Mr Tomisaburo Hashimoto who was Transport Minister.

Neither man was accused of soliciting bribes from Lockheed, but the court said that Mr Hashimoto accepted Y3m (£6,818) after instructing his officials to apply pressure on Japan Air Lines to delay the introduction of a wide bodied jet service which could have damaged the interests of Lockheed's prospective customer All Nippon Airways. Mr Sato is said to have accepted Y2m.

Both Mr Sato and Mr Hashimoto resigned from the LDP after their cases came up for trial, but Mr Sato subsequently won re-election to the Diet (parliament) as an Independent. The Japan Socialist Party, which has shown signs of wanting to get the utmost mileage out of the Lockheed hearings, will almost certainly demand that Mr Sato now resigns his seat.

It may also claim this as a precedent for the case of Mr Tanaka (who also sits in the Diet as an Independent) if he is found guilty next year. Mr Suzuki may feel bound to fight the JSP's demand but must also be wondering whether faction leaders in his own party feel the same way.

Mr Suzuki . . . uncomfortable

Mr Suzuki heard the news of the Lockheed verdicts in New York where he had gone after the Versailles summit to address the United Nations. The Prime Minister looked decidedly uncomfortable during an interview shown on Japanese TV last night, but confined himself to saying that the LDP politicians implicated in the affair were men who had "worked hard for their party and their country."

Fraser angry at 'nuclear free Victoria' plan

By Michael Thompson-Noel in Sydney

PLANS TO declare the State of Victoria a nuclear free zone have incensed Mr Malcolm Fraser, the Australian Prime Minister.

Mr John Cain, the Victoria Premier, says legislation will be introduced in the next few months banning nuclear power stations, uranium mining and enrichment, nuclear waste storage, and visits to Victorian ports by nuclear powered ships, or vessels carrying nuclear weapons.

Mr Cain and the Victorian Labour Party won control of the state in the April elections.

Mr Fraser, who leads the ruling Australian Liberal Party, accused Mr Cain of trying to wreck Australia's defence relationships.

In Darwin, in the northern territory, where the federal cabinet was meeting, Mr Fraser said yesterday that if necessary he would recall federal parliament to overrule the Victoria decision.

In Canberra the row is expected to lead to a major confrontation in the Senate, which is controlled by Labour and the Australian Democrats.

ELECTIONS IN MAURITIUS

Future of Diego Garcia in doubt

BY BERNARD SIMON IN MAURITIUS

THE INTERNATIONAL community will be asked to help Mauritius end the U.S.'s use of Diego Garcia as a military base in the Indian Ocean if the left-wing Opposition Mouvement Militant Mauricien (MMM) comes to power in Friday's general election, the MMM's secretary-general Mr Paul Berenger said yesterday.

The MMM is a clear favourite to unseat the ruling coalition government of Sir Seewoosagur Ramgoolam, who has been Prime Minister of Mauritius since the island's independence from Britain in 1968.

The future of Diego Garcia, halfway between Mauritius and Sri Lanka, is a key difference in the electoral platforms of Sir Seewoosagur's Labour Party and the Socialist MMM.

Formerly a Mauritian dependency, Diego Garcia was ceded to Britain shortly before independence. The UK has leased the island to the U.S. for 50 years.

Mr Berenger said: "We consider Diego Garcia as our territory, which has been stolen from us. We will do everything to recover it." He said the MMM wil ask India, the Organisation of African Unity (OAU), the UN and possibly the World Court to support its claim.

The present government is also keen for Mauritius to have sovereignty over Diego Garcia, but Sir Seewoosagur said yesterday that, in the event of this happening, the U.S. would be allowed to maintain its base there.

Despite the Diego Garcia dispute, the MMM has recently softened its stance on a number of other issues. It is working hard to attract votes from the country's conservative Hindu majority, and appears to realise that there are no easy answers to Mauritius's dire economic problems, which stem from the sharp fall in sugar prices. Sugar accounts for two-thirds of the island's export earnings.

Reversing earlier statements, Mr Berenger said yesterday that an MMM Government would continue to allow Air Mauritius to fly to South Africa and would neither deprive South African Airways of landing rights on the island nor nationalise South African investments.

"The South African route has become an essential financial aspect of Air Mauritius's finances," he said. Mauritius depends heavily on its trade and tourism links with South Africa.

Sir Seewoosagur said in an interview that Mauritius faced "a very difficult period" if the MMM came to power. The MMM's connections with Libya have emerged as a major election issue over the past few days.

But he insisted that the Labour Party, which has been in power for over three decades, will not attempt to forestall the MMM taking power. "I am a democrat. I have always supported parliament," the Prime Minister said.

The MMM has promised to hold elections every five years. But it wants to change the constitution to allow for easier nationalisation of certain industries (including a few sugar plantations) and the creation of a republic within the Commonwealth.

IMF loan policy defended

By Anatole Kaletsky in Washington

BANKS SHOULD consider carefully the economic policies of countries borrowing on international capital markets and should be cautious about providing financing which "only has the effect of allowing a country to continue to live beyond its means," Mr Jacques de Larosiere, managing director of the International Monetary Fund, said yesterday.

In a strong defence of the IMF's policy of promoting economic adjustment by attaching conditions to the loans it makes to deficit countries, Mr de Larosiere called on the Fund's member governments to agree on increases in their fund subscriptions by the end of next year.

The deadline for a review of fund quotas agreed at the recent ministerial meeting at Helsinki should be a "matter of high priority." Without additional quotas the fund would lack the financial leverage it requires to promote adjustment.

Given the necessary resources the IMF will promote "firm and well-conceived adjustment policies by industrial and developing countries alike".

Kirkpatrick attacks Haig 'amateurs'

BY PAUL BETTS IN NEW YORK

MRS JEANE KIRKPATRICK, the abrasive and outspoken U.S. ambassador at the United Nations, is in the headlines again after accusing her country of having behaved "like a bunch of amateurs" in the UN.

The U.S. delegate's latest controversial remarks about Washington's foreign policy were made at a New York luncheon of the conservative Heritage Foundation, and came as relations between Mrs Kirkpatrick and Mr Alexander Haig, the U.S. Secretary of State, reached an all-time low.

In her address to the research group Mrs Kirkpatrick took pains to say she was not singling out the Reagan Administration but several decades of U.S. foreign policy. But the speech appeared to reflect her frustrations at current U.S. Latin American policies and her personal feud with Mr Haig.

Mrs Kirkpatrick, who has the reputation at the UN of behaving like the typical superpower representative, often wielding the big stick at members of non-aligned countries, has now taken to dressing down her own people.

She claimed the U.S. was impotent in the UN because "we simply have behaved like a bunch of amateurs."

She went on to say: "The decline of U.S. influence in the UN is part and parcel of the decline of U.S. influence in the world. And that is a direct reflection of what has been a persistent ineptitude in international relations."

Mrs Kirkpatrick added: "It is very strange that we Americans, who are very good at politics, should be so inept at international politics in arenas such as the United Nations."

She accused her country of "stumbling from issue to issue almost on a mad hatter basis."

Mrs Kirkpatrick has not hidden her concern and displeasure at America's decision to back Britain in the Falklands crisis. She has accused Mr Haig of not understanding Latin American sensibilities and of failing to appreciate U.S. interests in the region.

For his part, Mr Haig is understood to have described Mrs Kirkpatrick as "mentally and emotionally incapable of thinking clearly on this issue because of her close links with Latins." He is reported to have told her to stop interfering with his policies.

The question now is how long can Mrs Kirkpatrick survive in her current position. The average life of the chief U.S. delegate at the UN is about two years and Mrs Kirkpatrick is now nearing the deadline.

Salvador president backed

By Our Washington Correspondent

THE U.S. Ambassador to El Salvador believes that Congress has "drawn the wrong conclusions" about the new right-wing leadership in El Salvador.

Mr Deane Hinton said on Monday that Congress had delivered a "bum rap" on the country by voting to cut off military aid after a recent change in El Salvador's land reform laws.

Mr Roberto d'Aubuisson, the extreme right-winger who became president of the constituent assembly after the U.S.-backed elections in March, is "basically a patriot, intent on working within the country's democratic system," Mr Hinton told the World Foreign Affairs Council.

Sr d'Aubuisson had left his "highly questionable past" behind him, Mr Hinton believed, although he added that he could offer no guarantees that Sr d'Aubuisson would not revert to the kind of behaviour which had led the previous U.S. Ambassador to describe him as "a pathological killer."

Sr d'Aubuisson has been linked to right-wing death squads and to the assassination of the progressive Archbishop Oscar Romero two years ago.

Bogota military court jails 120 guerrillas

BY SARITA KENDALL IN BOGOTA

AS A FIRST step towards lifting martial law in Colombia, 120 guerrilla suspects have been sentenced by a military court.

President Julio Cesar Turbay announced last week that he would be lifting state-of-siege legislation, including a tough security law passed in 1978, by June 19.

But as all guerrilla trials will automatically move from military to civilian hands once the measure goes through, the two-and-half year long court martial of some 200 people accused of belonging to the M-19 guerrilla movement had to be completed first.

The sentences vary from two months up to 30 years for two members of the M-19 group, and cover charges ranging from rebellion to kidnapping and murder.

Over 100 of those standing trial are currently in prison—many were judged in absentia and some have been released. But lawyers believe the proceedings have been so fraught with irregularities that the trial is likely to be annulled.

President Turbay said he had decided to lift martial law after consultation with the armed forces because the May 30 presidential elections were peaceful and orderly and there was no sign of any serious threats to internal security.

State-of-siege legislation has been in force for most of the past 26 years, and was most recently imposed in 1976. Some 40 decrees involving radio and television censorship, strikes, public meetings and drug trafficking offences will also be repealed. It is assumed that those held under the 1978 security law will be released.

M-19 has apparently suffered big losses after counter-insurgency operations in the southern-eastern jungles of Colombia. Urban guerrilla activity has also been reduced.

Some 18 people accused of belonging to M-19's urban network were captured just before the election, reportedly with plans for sabotaging voting.

FALKLANDS CRISIS

Galtieri hints return to civilian rule may be delayed

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

ARGENTINE political life was thrown into confusion early yesterday morning when General Leopoldo Galtieri, the President, suggested that the return to democratic government, promised by successive military regimes, could be slower than expected and that foreign policy could be "wholly recast."

The first public reaction to Gen. Galtieri's remarks, which were delivered at the press office of the presidential palace, has been hostile.

The influential Radio Continental, in its morning news programme, said the president's apparent wish to slow down progress towards civilian rule was "inadmissible."

Referring to legislation officially promised for mid-year, Gen Galtieri said the new law regulating the organisation of political parties, whose activities have been banned since the military coup of 1976, would be promulgated as expected.

He unexpectedly added, however, that after the confirmation of the parties' political leaders "it will be seen whether better circumstances obtain—or not—for a continuing advance in the institutionalisation of the country."

Gen Galtieri's remarks are a clear indication of his doubts over whether there will be a swift return to civilian rule later this year.

Politicians had generally expected that the transition would be rapid, not only because the large political demonstration staged in front of the government house on March 12, just before the Falklands invasion, was seen as a clear sign of increasing impatience with the military régime, but also because the sacrifices represented by the Falklands war are thought to justify greater public participation in government.

Gen Galtieri's doubts about Argentina's political future come amid mounting speculation about the imminent imposition of newspaper censorship.

Gen Galtieri's remarks on foreign policy also appeared to run counter to statements on Monday by Sr Nicanor Costa Mendez, the Foreign Minister.

Sr Costa Mendez has been under fire since his return from the non-aligned foreign ministers' meeting in Havana last week for having appeared too friendly to the conference chairman, President Fidel Castro.

On Monday he commented: "I have no defence to make," and added that Argentina would not move its ideological position or its political position by "one centimetre."

Bank still providing credit

BY ALAN FRIEDMAN

ARGENTINA is continuing to receive money from the Bank of America, according to Mr Sam Armacost, chairman of the bank.

Mr Armacost said in London yesterday that the bank was maintaining all short-term credit lines. He refused to quantify the extent of his bank's debt exposure to Argentina.

"We have kept our credit facilities open to Argentina," he declared. "The conflict is between the UK and Argentina. As a commercial entity we have not been affected."

Mr Armacost said he had no knowledge of any requests from British banks to share out Argentinian interest payments under long-standing loan provisions. U.S. banks have been receiving such requests for more than a fortnight.

If Argentina were to ask for additional funds through medium-term syndicated loans, the bank would "consider it," said Mr Armacost. All dealings with Buenos Aires would be on a strictly commercial basis.

The bank has no plans to reduce its credit lines to Argentina. "That borrower (Argentina) has met all conditions for keeping the credit in place," he added.

Cool Brazil keeps Washington at arm's length

Andrew Whitley reviews a new U.S. courtship in South America

THE United States is belatedly turning to Brazil as the anchor of its battered relations with South America. Gratified that at last it is being given the attention it feels it deserves, Brazil for its part wants to keep its distance.

The U.S. Administration seized the opportunity last month of the first official visit to Washington by a Brazilian President for 11 years to make the point.

Welcoming President Joao Figueiredo to the White House, President Ronald Reagan lauded the former cavalry general with expressions of "joy," "greatness" and "potency." However, the Brazilian Press and the large official party was not taken in by what one magazine called "the Hollywood climate."

Apparently, the two men got on well together in their brief encounters; the personal chemistry being regarded as essential for a healthy relationship. As a senior U.S. official told Brazilian journalists, "How could two men who both love horses not get on?"

Sr Figueiredo's notorious remark on taking office, "I prefer the smell of my horses to the smell of the people," was diplomatically forgotten. Instead diplomats from both countries stress that Brazil's political liberalisation programme and "re-democratisation" is an essential part of the new relationship between the two countries.

The fresh outlook Washington is giving to Brasilia comes in the wake of its estrangement with Buenos Aires as a result of the Falklands crisis. Whereas Argentina had been seen as the cornerstone of an alliance of anti-communist countries in Latin America, Brazil, in its own words, can be regarded as a "stabilising, moderate force."

Brazil's frustration over being unable to influence the course of events leading up to the Argentine invasion of the Falklands, once Britain has completed their recapture.

According to White House sources, Brasilia has already agreed in principle to help. What eventually transpires on the ground will depend on the exact conditions involved, but it could mark an historic change of outlook for this introverted continental-sized country.

shared role involving the Falklands, once Britain has completed their recapture.

Brazil's frustration over being unable to influence the course of events leading up to the Argentine invasion of the Falklands has been compounded by its evident lack of influence subsequently. "We would be prepared to help find a solution if we could be of use," a Brazilian diplomat said privately in Brasilia.

It was a modest departure from the country's traditionally low-key approach to foreign affairs, but a signal that Brazil is changing its long-standing position against involvement in joint international actions.

Both the U.S. and Britain are believed to be very interested in securing Brazil's participation or co-operation in some form of shared role involving the Falklands, once Britain has completed their recapture.

Plans for the Brazilian President's trip to the United States were dogged by bad luck. First, the planned dates coincided with the World Cup in Spain—President Figueiredo being a keen soccer supporter, the programme had to be brought forward—then the Falklands storm blew up. A number of top Brazilian officials argued strongly that the trip should be postponed or cancelled. In the end it was shortened and stripped of frills but went ahead.

The visit was not a failure as, in public at least, little store was being put on its outcome. But nor was it a success either, for the Brazilians received no satisfaction on a list of very specific grouses, ranging from sugar quotas to the Law of the Sea debates, they brought to Washington.

Trade with the U.S. has lessened over the past five years or so as Brazilian exporters have pushed into new markets around the world, but U.S. cash—invested in Brazil and lent to finance growth and service existing debt—remains of fundamental importance for the South American giant, now the world's eighth largest economy.

U.S. banks, led by Citicorp with a mighty \$4bn (£2.22bn), are creditors for up to half of Brazil's \$67bn medium- and long-term foreign debt. At the same time, interest rates set by those very same banks within the U.S. have a painfully direct correlation with the fortunes of Brazilian industry.

The twin themes of the damage caused to the Brazilian economy by high U.S. interest rates and trade protectionism were hammered home again during President Figueiredo's visit. Further complaints were the U.S.-inspired moves by the multilateral lending agencies, notably the World Bank, to wean countries such as Brazil off cheap loans.

A new "more mature" relationship is said to be emerging between the two countries. But, as President Figueiredo made explicit in his talks with his horse-riding counterpart, it would never be a "special relationship" of the old type.

RONALD REAGAN TELLS MPs OF THE MARCH OF FREEDOM

'The democratic revolution gathers strength'

THE FOLLOWING are extracts from the text of yesterday's address in the Royal Gallery, Palace of Westminster, by President Reagan to Members of both Houses of Parliament:

Speaking for all Americans, I want to say how very much at home we feel in your house. Every American would, because this is one of democracy's shrines. Here the rights of free people and the processes of representation have been debated and refined . . . .

From here I will go to Bonn, and then Berlin, where there stands a grim symbol of power untamed. The Berlin Wall, that dreadful grey gash across the city, is in its third decade. It is the fitting signature of the regime that built it.

And a few hundred kilometers behind the Berlin Wall there is another symbol. In the center of Warsaw there is a sign that notes the distances to two capitals. In one direction it points toward Moscow. In the other it points toward Brussels, headquarters of Western Europe's tangible unity. The marker says that the distances from Warsaw to Moscow and Warsaw to Brussels are equal. The sign makes this point: Poland is not East or West. Poland is at the center of European civilization. It has contributed mightily to that civilization. It is doing so today by being magnificently unreconciled to oppression.

Poland's struggle to be Poland, and to secure the basic rights we often take for granted, demonstrates why we dare not take those rights for granted.

We are approaching the end of a bloody century plagued by a terrible political invention—totalitarianism. Optimism comes less easily today, not because democracy is less vigorous, but because democracy's enemies have refined their instruments of repression. Yet optimism is in order because, day by day, democracy is proving itself to be a not-at-all fragile flower.

From Szczecin on the Baltic to Varna on the Black Sea, the regimes planted by totalitarianism have had more than 30 years to establish their legitimacy. But none—not one regime—has yet been able to risk free elections. Regimes planted by bayonets do not take root . . .

We have not inherited an easy world—if developments like the industrial revolution, which began here in England, and the gifts of science and technology have made life much easier for us—they have also made it more dangerous. There are threats now to our freedom, indeed, to our very existence, that other generations could never even have imagined.

There is, first, the threat of global war. No President, no Congress, no Prime Minister, no Parliament can spend a day entirely free of this threat. And I don't have to tell you that in today's world, the existence of nuclear weapons could mean, if not the extinction of mankind, then surely the end of civilisation as we know it.

That is why negotiations on intermediate range nuclear forces now underway in Europe and the "Start" talks—Strategic Arms Reduction Talks—which will begin later this month, are not just critical to American or Western policy; they are critical to manknid. Our commitment to early success in these negotiations is firm and unshakable and our purpose is clear: reducing the risk of war by reducing the means of waging war on both sides.

At the same time there is a threat posed to human freedom by the enormous power of the modern state. History teaches the dangers of government that overreaches: political control taking precedence over free economic growth, secret police, mindless bureaucracy—all combining to stifle individual excellence and personal freedom. . . .

If history teaches anything, it teaches self-delusion in the face of unpleasant facts is folly. We see around us today the marks of our terrible dilemma—predictions of doomsday, anti-nuclear demonstrations, an arms race in which the West must for its own protection be an unwilling participant. At the same time, we see totalitarian forces in the world who seek subversion and conflict around the globe to further their barbarous assault on the human spirit.

In an ironic sense, Karl Marx was right. We are witnessing today a great revolutionary crisis—a crisis where the demands of the economic order are colliding directly with those of the political order. But the crisis is happening not in the free, non-Marxist West, but in the home of Marxism-Leninism, the Soviet Union. It is the Soviet Union that runs against the tide of history by denying freedom and human dignity to its citizens. It also is in deep economic difficulty.

The rate of growth in the Soviet gross national product has been steadily declining since the fifties and is less than half of what it was then. The dimensions of this failure are astounding; a country which employs one-fifth of its population in agriculture is unable to feed its own people.

Since the exodus from Egypt, historians have written of those who sacrificed and struggled for freedom: the stand at Thermopylae, the revolt of Spartacus, the storming of the Bastille, the Warsaw uprising in World War II.

More recently we have seen evidence of this same human impulse in one of the developing nations in Central America. For months and months the world news media covered the fighting in El Salvador. Day after day we were treated to stories and film slanted toward the brave freedom fighters battling oppressive government forces on behalf of the silent, suffering people of that tortured country.

Then one day those silent suffering people were offered a chance to vote to choose the kind of government they wanted. Suddenly the freedom fighters in the hills were exposed for what they really are: Cuban-backed guerrillas who want power for themselves and their backers, not democracy for the people. They threatened death to any who voted and destroyed hundreds of buses and trucks to keep people from getting to the polling places. But on election day the people of El Salvador, an unprecedented 1.4m of them, braved ambush and gunfire, trudging miles to vote for freedom. . . .

On distant islands in the South Atlantic young men are fighting for Britain. And, yes, voices have been raised protesting their sacrifices for lumps of rock and earth so far away. But those young men aren't fighting for mere real estate. They fight for a cause, for the belief that armed aggression must not be allowed to succeed, and that people must participate in the decisions of government under the rule of law. If there had been firmer support for that principle some 45 years ago, perhaps our generation wouldn't have suffered the blood-letting of World War II.

In the Middle East the guns sound once more, this time in Lebanon, a country that for too long has had to endure the tragedy of civil war, terrorism and foreign intervention and occupation. The fighting in Lebanon on the part of all parties must stop and Israel should bring its forces home. But this is not enough. We must all work to stamp out the scourge of terrorism that in the Middle East makes war an ever-present threat.

But beyond the troublespots lies a deeper, more positive pattern. Around the world today the democratic revolution is gathering new strength. In India, a critical test has been passed with the peaceful change of governing political parties. In Africa, Nigeria is moving in remarkable and unmistakable ways to build and strengthen its democratic institutions. In the Caribbean and Central America 16 of 24 countries have freely elected governments. And in the United Nations, eight of the 10 developing nations which have joined the body in the past five years are democracies.

In the Communist world as well, man's instinctive desire for freedom and self-determination surfaces again and again.

Some argue that we should encourage democratic change in right-wing dictatorships, but not in Communist regimes. To accept this preposterous notion—as some well-meaning people have—is to invite the argument that, once countries achieve a nuclear capability, they should be allowed an undisturbed reign of terror over their own citizens. We reject this course.

We cannot ignore that fact that even without our encouragement, there have been and will continue to be repeated explosions against repression in dictatorships. The Soviet Union itself is not immune to this reality. Any system is inherently unstable that has no peaceful means to legitimise its leaders. In such cases, the very repressiveness of the state ultimately drives people to resist it—if necessary, by force . . .

The objective I propose is quite simple to state: to foster the infrastructure of democracy—the system of a free press, unions, political parties, universities—which allows a people to choose their own way, to develop their own culture, to reconcile their own differences through peaceful means.

Over the past several decades, West European and other Social Democrats, Christian Democrats and Liberals have offered open assistance to fraternal political and social institutions, to bring about peaceful and democratic progress. Appropriately for a vigorous new democracy, the Federal Republic of Germany's political foundations have become a major force in this effort.

We in America now intend to take additional steps, as many of our allies have already done, toward realising this same goal. The chairman and other leaders of the national Republican and Democratic Party organisations are initiating a study with the bipartisan American political foundation to determine how the United States can best contribute—as a nation—to the global campaign for democracy now gathering force. They will have the co-operation of Congressional leaders of both parties, along with representatives of business, labour, and other major institutions in our society. . . .

At the same time we invite the Soviet Union to consider with us how the competition of ideas and values—which it is committed to support—can be conducted on a peaceful and reciprocal basis.

I have discussed on other occasions, including my address on May 9, the elements of Western policies toward the Soviet Union to safeguard our interests and protect the peace. What I am describing now is a plan and a hope for the long term—the march of freedom and democracy which will leave Marxism-Leninism on the ash-heap of history as it has left other tyrannies which stifle the freedom and muzzle the self-expression of the people. . . .

That is why we must continue our efforts to strengthen Nato even as we move forward with our zero option initiative in the negotiations on intermediate-range forces and our proposal for a one-third reduction in strategic ballistic missile warheads.

Our military strength is a prerequisite to peace but let it be clear we maintain this strength in the hope it will never be used. For the ultimate determinant in the struggle now going on for the world will not be bombs and rockets—but a test of wills and ideas—a trial of spiritual resolve: the values we hold, the beliefs we cherish, and the ideals to which we are dedicated.

The British people know that, given strong leadership, time, and a little bit of hope, the forces of good ultimately rally and triumph over evil. Here among you is the cradle of self-government, the mother of Parliaments.

Hugh Routledge

Reins of power: President Reagan riding with the Queen at Windsor Home Park yesterday

WORLD TRADE NEWS

Urgent appeal to boost Third World energy investment

BY DAVID DODWELL

THERE IS a "compelling need" for new ways of channelling money into energy development in the Third World if the deepening energy crisis in developing countries is to be averted, according to a leading energy specialist in London yesterday.

Mr Maurice Strong, chairman of the International Energy Development Corporation (IEDC), said at a London seminar yesterday that an "international exploration fund" ought to be set up to mobilise private sector funds for use "primarily if not exclusively" in exploration in developing countries.

He claimed the risks involved in such investments had been greatly exaggerated, and that the potential returns had been ignored. But because the oil majors were likely at first to resist such a departure, Mr Strong called for a lead to be taken by the International Finance Corporation, the hard-loan wing of the World Bank, and by the national oil companies of developing countries and of major oil-importing countries.

He also called on developing countries to improve the fiscal terms on which they would allow foreign organisations to search for indigenous energy sources, and to improve the operating environment for such companies.

The energy crisis was, said Mr Strong, a "stark reality in the energy-deficient countries of the developing world.

"Burdened with debt and with the prices of their export commodities at the lowest level for some 30 years, the oil-importing developing countries clearly face far more than a short-term crisis," he said.

Noting the reluctance of many investors to put their money into oil or gas exploration in developing countries, Mr Strong argued that "the political risk factor has been greatly exaggerated."

With an appropriate lead from organisations like the IFC, and from private sector organisations like his own IEDC, Mr Strong was convinced that "it should be feasible even in countries with a dubious credit rating to base the financing of energy projects on a properly secured pledge of the income they generate."

Queensland bid to increase coal exports to Europe

BY RICHARD JOHNS

QUEENSLAND IS aiming at increasing substantially its exports of coal to Western Europe, Mr Ivan J. Gibbs, the state's Minister of Mines and Energy, said yesterday in London at the start of a visit to seven countries.

Last year, the region accounted for 5.4m tonnes, or 20 per cent, of shipments totalling 27.69m tonnes, but Mr Gibbs emphasised that the Queensland Coal Board sees it as a major potential market in its bid to utilise fully capacity currently installed or under implementation of 50m tonnes.

As it is, earnings from coal almost wholly high quality coking fuel, surpassed those of grain and sugar, the state's main traditional exports, in 1981. Total Queensland output last year was 35m tonnes.

Mr Gibbs was speaking at the start of a tour of the UK, France, Sweden, Denmark, Holland, West Germany and Italy. Last year Queensland sold 1.78m tonnes to Italy, 1.13m tonnes to France, 934,910 tonnes to the UK, 635,512 tonnes to Spain and 615,490 tonnes to the Netherlands and 330,124 tonnes to Belgium.

The most important UK customer is the British Steel Corporation, in particular for its plant at Redcar.

European airlines lost $700m in 1981

By Michael Donne, Aerospace Correspondent

NET LOSSES by the European scheduled airlines amounted to about $700m (£388m) during 1981, compared with $900m in the previous year, according to preliminary figures prepared by the European Airlines Association.

This figure includes both the operating losses incurred by the airlines (which were down substantially at $122m against $460m in the previous year), and financial charges (such as interest payments on new equipment).

The latter rose substantially during 1981 as a result of high interest rates, coupled with the increase in the value of the U.S. dollar, especially since many European airlines in that year placed orders for new equipment for delivery in the mid- to late-1980s. Most of the equipment either came from the U.S. or had U.S. components.

The association, which includes both British Airways and 19 other major European airlines, points out that while most traffic forecasts point towards a modest traffic growth in the future, the short-term outlook "is still rather bleak, and all indications are that the economy in general, and the air transport industry in particular, will still face serious problems."

"Most traffic forecasts are, indeed, pointing towards a modest growth compared with the high 8 to 10 per cent growth rates experienced in the last decade.

"Governments can play a role in helping airlines to turn their losses into profits by exercising cost control over those items in which they have a major say.

"In the medium term perspective—four to five years—airlines must carry on with their fleet renewal plans, in order to be able to benefit from more economic, fuel-efficient aircraft types.

"However, this era of low growth and losses has not allowed for sufficient reserves to be made for capital requirements."

The association points out that while there are currently some considerable political and consumerist pressures towards cheaper fares in Europe, it would be "quite inopportune and very dangerous indeed to adopt policies which are adopted in a completely different environment such as the U.S., whilst even there, questions are now being asked as to their actual results.

Douglas optimistic over operations growth

BY LYNTON McLAIN, RECENTLY IN LONG BEACH CALIFORNIA

THE DOUGLAS Aircraft company, the commercial aircraft maker in the McDonnell Douglas Corporation, is cautiously optimistic about the prospects for growth in domestic and international scheduled airline operations in the 1990s.

At the same tie, however, the company is concerned about the rapid fall in orders for commercial aircraft, which could see production of its DC-9 and DC-10 airliners cease for lack of orders by the middle of next year.

The company expects the air passenger market to grow by between 6.6 per cent and 7 per cent on average between now and 1995. This in turn is expected to create a demand for new and replacement commercial aircraft worth up to a total of $268bn (£148.8bn) by 1995 at 1980 prices, Mr Bill Gross, the senior vice-president for operations at Douglas Aircraft said recently at the company's headquarters at Long Beach, California.

To win a share of this market, Douglas is working on designs for three new civil airliners. These are the Super 10 derivative of the DC-10 airliners, possibly to be powered by the Rolls-Royce RB211 535 F4 turbofan engine; the DC-10 Super 30/40, a stretched version of the existing DC-10 and the D-3300, the latest version of the company's long-running plans for a 150-seat airliner.

The market for a future airline with 150 seats is the target of the most intensive battle among aircraft makers to win airline orders. The Douglas Aircraft proposal for the D-3300 is a version of the company's MDF 100 proposal, launched originally with Fokker of the Netherlands. Fokker withdrew last year and Douglas, looking for new partners is in direct competition with the proposed A320 airliner from Airbus Industrie.

McDonnell Douglas is anxious for potential airline customers for the 150-seat new generation airliner to harden up their tentative interest into firm orders. Existing work at the Long Beach factories is steadily running out, as airlines retrench in the face of limited current growth in scheduled airline passenger markets.

The company is rapidly working through a diminishing order book for its DC-9 and DC-10 airliners and a rapid reduction of staff has had to be enforced at the California factories to bring manpower capacity more into line with the reduced demand for civil airliners.

The factories at Long Beach have suffered most. Douglas shed over a quarter of its 25,558 staff at the works over the first quarter of this year as demand continued to slump for commercial aircraft sales.

The company now employs 18,546 staff at Long Beach and has only one year of work left on current orders for each of its two main civil aircraft programmes, the DC-9 and the DC-10.

Douglas Aircraft has won a total of 1,090 orders for its DC-9 twin-engine airliner, but by May 17 this year the latest available figures, the company had delivered all but 37 of the aircraft. These remaining airliners are now being produced at the rate of 0.71 aircraft a week.

At this rate, the total current order book for the DC-9 will be exhausted by the middle of May next year.

A similar picture affects production of the DC-10, the company's long-range intercontinental airliner. Douglas has only one year of work left on production of the aircraft. Airlines ordered a total of 383 of various DC-10 models, but 368 of these have already been delivered.

The remaining 15 aircraft are being assembled at the Long Beach works, but at a rate of only 0.3 aircraft a week, enough work for almost exactly a year. McDonnell Douglas, however, is to reduce the annual production rate from the present 15-a-year to eight-a-year by next year, in an attempt to spin out the little remaining work.

The company also has airline options for 20 more DC-10 airliners, but with demand for scheduled air travel growing only slowly, and with new, more fuel efficient aircraft on the drawing board, there is no great confidence that these options will be converted to firm orders.

Export credits dispute looms between Japan and EEC

BY PAUL CHEESERIGHT IN TOKYO

A FURTHER dispute between Japan and the EEC loomed yesterday on the conditions to govern the grant of export credits over the next year. An open breach could signal the start of an export credits war.

Officials at the Ministry of International Trade and Industry (Miti) in Tokyo said any attempt to change a series of Swedish proposals on interest levels for export credits is unacceptable.

But in Washington, officials said the U.S. would accept minor modifications to the proposals. The nature of the modifications was due to be discussed yesterday with Mr Axel Wallen, the chairman of the export credit group at the Paris-based Organisation for Economic Cooperation and Development.

The divergence of these positions means that the current regime for the grant of officially subsidised export credit could expire on June 15 without agreement on a replacement.

This in turn would open the way for any industrialised nation to offer subsidised credits without restriction. It would mean the breakdown of the Consensus, the international agreement on guidelines for the grant of officially subsidised export credit, which draws in 22 industrialised nations at OECD.

The Consensus nations failed in early May to reach agreement on a new pattern of interest rates for export credits and on the means to achieve a general reclassification of borrowing countries — this determines the interest rate they have to pay.

Sweden put forward compromise proposals which were later accepted by the U.S. and Japan, but the EEC asked for and was granted a delay on any decision until June 15, the day after it holds a Finance Ministers Council meeting in Brussels.

Miti officials said that Japan accepted the extension on the condition that the extension would be for this one period only; the present situation on interest rates is intolerable, they said.

The proposals would raise export credit rates for relatively rich borrowers by 1.0-1.25 percentage points to 12.25-12.5 per cent and for middle income country borrowers by 0.5-0.6 of a percentage point to 11.0-11.6 per cent.

The rate for Japanese yen lending would be set at a minimum 0.3 of a percentage point above the Japanese long-term prime rate, to give a new export credits lending rate under present conditions of 8.7 per cent.

At the same time, the proposals specified that the reclassification of borrowers would take place without any transitional period. This would raise the level of newly industrialising countries from the relatively poor to the middle income category and move the Soviet Union from the middle income to the relatively rich category.

The EEC has not formally presented ideas for specific change to these proposals either to the U.S. or Japan. But Japan has been informally sounded out about raising the premium over its long-term prime rate from 0.3 to 0.5 of a percentage point; a point of especial interest to the UK.

If Japan were to subsidise its export credits at the same rate as the high interest countries in the EEC, it would be able to lend at a rate of 6 per cent, the officials commented.

U.S. drive to insure Greek vessels

BY ANDREW FISHER, SHIPPING CORRESPONDENT

U.S. MARINE insurers yesterday served notice that they will mount a strong challenge to wean away a large slice of Greek shipping business from London.

Mr Allen Schumacher, chairman of the American Hull Insurance Syndicate, proposed an expansion of the marine market in the U.S. as an alternative to Greek links with the City through Lloyd's of London.

Speaking at a shipping conference in Athens, he said "as our hull portfolio continues to expand, we will plan to expand our facilities."

His proposal followed a complaint by a leading Greek owner that the surcharge imposed by Lloyd's on vessels from Greece since 1973 was discriminatory.

"The fact that the United States presents an alternative market is something which should give food for thought to the British underwriters," said Mr Aristomenis Karageorgis, President of the Union of Greek Shipowners.

With profit margins declining fast, he added, a shipowner had to put sentiment behind him. "He can no longer afford to pay the higher London rates just because his father and his grandfather insured with Joe Bloggs in the City."

Greek owners, with one of the largest combined fleets in the world, have long been irked at the London surcharge, imposed because of the view taken in the City of Greek operations' relative riskiness.

Mr Karageorgis said the surcharge was not based on the personal record of the man or company involved, "but on that of a handful of Greek owners who have not lived up to the expected standards."

Putting the U.S. view, Mr Schumacher said his syndicate preferred to make a more individual assessment of fleets compared with the rule-of-thumb approach of London underwriters.

He said the capital and surplus of companies authorised to write marine insurance business in the U.S. was over $20bn (£11.1bn). Yearly ocean marine premium written in the U.S. was around $1bn. The largest block came from cargo business, with the next largest from hull business.

Textiles concessions row grows

BRUSSELS — The textile industry organisation Comitextil said in a statement issued following its annual meeting that it will demand EEC withdrawal from the Multifibre Arrangement (MFA) if third countries win too many concessions from the EEC Commission.

The Commission has begun a series of bilateral talks with 28 developing countries on their textile trade with the Community, during which it is seeking to restrict growth of imports.

Reuter

Commercial passage to India becomes difficult to win

BY K. K. SHARMA IN NEW DELHI

IN THE aftermath of the Indian Government's decision to revoke a letter of intent for a £5m-tonne steel plant given to Britain's Davy McKee, one Indian Steel Ministry official noted: "There may be an 'entente cordiale' between Britain and India politically, but we have to judge each commercial transaction strictly on merits."

The official's remarks illustrate the increasing difficulties British concerns are encountering in winning major contracts in India. Competition from other foreign companies and consortia is severe, and India's economic policies are changing—not necessarily to Britain's advantage.

Letter of intent

The Indian steel ministry revoked the letter of intent, arguing that Davy had unduly inflated its costs. It subsequently appointed the Government-owned Metallurgical Engineering Consultants (Mecon) as the prime contractor.

Davy, in its defence, claimed that a cost review was unavoidable following a last-minute change in contract specifications by the Indians. But the Indian Government is unmoved. Mecon has decided that domestic suppliers now will supply substantial amounts of work and equipment for the plant, most of them in the public sector. Cancellation of the Davy deal has put the steel plant back three years, according to Indian Steel Ministry officials.

Rest of work

The rest of the work will be opened to outside bidding by tender. Davy's chances of winning a share of this business are seen as difficult, although it and other British companies could win orders as subcontractors if Mannesman Demag of Germany tenders.

Davy's loss of the steel project is nevertheless a major setback. Davy's success was in no small part due to the fact that Britain's Overseas Development Administration (ODA) offered £180m in aid linked directly to the Davy project and additional to bilateral programme aid worth £140m in gross terms in 1980-81.

The only recent British success in India is the 1,000 MW thermal plant at Rihand, the turnkey contract for which was awarded last month to a consortium led by Northern Engineering Industries (NEI). This was based on an attractive financing package and was signed just before the deadline for cheap export credits by European countries expired. Still pending is a related project for development of an adjacent coal mine.

Except for these, major British success in commercial deals in India has been limited to a £1bn contract to British Aerospace in 1978 for building the Jaguar at the Bangalore plant of Hindustan Aeronautics. The future of this is uncertain in the face of India's decision to buy French-built Mirage jet fighters.

The French now are far ahead in the race to win turnkey contracts India is still offering for a number of industrial projects.

Pechiney is setting up an alumina plant in Orissa; CIT Alcatel has just been given a letter of intent for the first electronic telephone exchange factory even before tenders were considered by ten companies for a similar contract for which Britain's System X is in the running. This contract has still to be awarded, but the French have an edge by winning the first deal.

Both the British (BL) and the French (Renault and Peugeot) lost to Japan's Suzuki for collaboration to build a new car with the nationalised Maruti Udyog, as did nearly a dozen other automobile companies from Europe and Japan.

Both are trying for parts of the contracts for building the Rs 6bn Nhava Sheva satellite port of Bombay, although it is unlikely a turnkey deal will be awarded to a foreign company.

Other big contracts in the offing are for at least eight thermal plants of the kind NEI has won. The next is expected to go to Japan's Mitsui, negotiations with which are in an advanced stage.

Possibly the most prestigious contracts are to be won from Indian Railways $900m scheme to computerise its operations—probably to be financed partly by the World Bank and for which U.S. and European concerns are competing with Indian companies.

Midlands sees no sign of end to recession

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

INDUSTRY LEADERS in the Midlands see no sign of an end to the recession.

Orders remain low, cash flow is deteriorating and redundancies will continue, Mr Chris Wallicker chairman of the West Midlands council of the Confederation of British Industry, said yesterday.

The Midlands, with its heavy concentration of manufacturing industry, has consistently taken a more pessimistic view of economic prospects than national forecasts. Major structural changes were continuing within the region, said Mr Wallicker.

He cited the forklift truck industry where Japanese imports take 40 per cent of the UK market compared with 10 per cent two years ago. Such a rundown had an impact on the vehicle components industry that was so important to the Midlands.

Activity and output remained flat. "There was some apparent improvement a few months ago, but that has now fallen back. I would say we are still bouncing along the bottom and I expect it to be flat for some months to come."

Mr Wallicker said recent optimistic growth forecasts seemed to be based on stock rebuilding. There was no evidence of that in the West Midlands.

There was a lack of business confidence, little finance for stockbuilding and no increase in orders. Export margins remained low. Against fierce international competition little growth in overseas sales was expected.

Cash flow was deteriorating, particularly among smaller companies. They were being hit by the need to make back-payments of taxes held up by last year's civil servants' strike, redundancy payments and customers taking extended credit.

Medium-size companies were the "unloved sector." They did not get the benefit of Government measures for small companies and were hit by the credit policies of the large companies.

Some companies in the Midlands were uneasy about the likely impact on wage bargaining of large increases in the public sector to judges and senior civil servants. Any settlement in the health service would be watched closely.

Most deals in the Midlands were continuing at between 4 and 6 per cent. "Settlements more and more reflect the ability of companies to pay," Mr Wallicker said.

"A disturbing factor" at the meeting was that more than half the companies present said they expected to cut their labour force during the next three to four months.

Challenge to minors' legal protection

By Raymond Hughes, Law Courts Correspondent

A RADICAL suggestion that the age of legal liability for young people entering contracts might be reduced from 18 to 16 has been made by the Law Commission.

The commission says, in a paper published yesterday, that minors may not need the protection from imprudent contracts which they have under present law.

A person under 18 cannot, with certain exceptions, be sued for breach of contract, although he or she can enforce a contract.

That, says the Commission, is because the law considers that minors need to be protected from their lack of maturity and worldly experience.

The present law may be inappropriate to modern conditions, the commission says.

It offers two suggestions and invites comments from older schoolchildren, teachers and others able to advise on the maturity of 16 and 17-year-olds.

The first, broadly, is to maintain the present situation; the second, to reduce the age of contractual capacity to 16.

The commission suggests dividing minors into two groups: those aged 16 and 17, who would be fully liable on their contracts; and those under 16 who might need more protection

How losing a job brought life to a doomed concern. **Raymond Snoddy** reports

Shedding new light on Eddystone shipyard

EDDYSTONE Marine Services, a shipbuilding and repair yard at Newton Ferrers near Plymouth, finally closed last September.

It had been in decline for some years and at the end there was only the nucleus of the staff—four boatbuilders and engineers—to be laid off. Nine months later the four are building boats again at the head of Newton Creek. The yard is in the black and, until recently, was working a six-day week to get boats ready for the season.

The transformation came about because of Alan Burn, a former director of management information at EMI. He was made redundant following the Thorn takeover and decided at the age of 60 to buy the yard and run it along co-operative lines.

He raised £130,000 by selling his house at Bray, Berkshire, and using redundancy pay and bank loans to buy the yard which is a 200-year-old malt house.

The yard has the capacity to build 36-ton ships and, already this year, it has turned out a 21ft Drascombe longboat and several dinghys.

"There are 250 boats moored in this river and we feel there is no need for them to go anywhere else and we have already started getting a few from Plymouth," Mr Burns says.

His plans for the yard are more ambitious. He has just launched a 24-hour, seven-days-a-week pick-up service for boats needing repair. The service will start locally and extend gradually to cover the coast between Helston, Cornwall and Torquay, Devon.

"It could develop into the marine equivalent of the AA or RAC along that stretch of the south coast," Mr Burn says.

He will travel by Land Rover to the nearest point on land and then use an inflatable dinghy to tow damaged yachts to harbour or repair them at sea.

Mr Burn will take along a mechanic if an engine will not start. He can call on the services of a diver if underwater repairs are necessary.

Mr Burn believes the service is the first of its kind. He plans to run it on an annual subscription basis next year.

Eddystone Marine Services is also planning to enter the yacht chartering market and is hoping to get the fitting-out contract for a new fast racing yacht to be produced locally.

Alan Burn—building a new life and reviving an ailing business

Alan Burn has been involved in four takeover battles and won all but the last. He admits that if he had not lost his job he would probably have been content to stay until retirement, looking after EMI's worldwide computer operations.

"It was appalling at the time. It was shattering, but being made redundant was the best thing that ever happened to me," he says.

The sea was a natural place for him to turn to. He was a navigator and gunnery officer in sloops and destroyers in the Second World War, and was chief officer on a Chinese merchant ship on the Yangtze River. One he was even part-time chairman of a boat building company in Cowes.

He has taken part in the Transatlantic, the Sydney-Hobart and five Admiral's Cup yacht races.

He chose the West Country for an eight-month search for the right yard because of his connections with the area. Sir Clive Burn, his father, was secretary of the Duchy of Cornwall from 1936-54.

Alan Burn went on an experimental 16-week course on co-operatives before setting up on his own. The course was at the Manchester Business School and paid for by the Manpower Services Commission. His fellow students included a black pop group, shoemakers from Wales and a health food co-operative.

He then had to outline his plans to a panel of six local bank managers and received the ultimate accolade—all six said they would lend him money.

Alan Burn decided to run the Eddystone Marine Services as a co-operative because he thought working relationships would be better and because he wanted to share profits but, most important, he wanted to ensure it was impossible to be taken over. He is now considering taking on an extra band under the Youth Opportunities Programme.

Life assurance industry defends doorstep sales

BY ERIC SHORT

THE THREE life company trade associations have countered all the points about life assurance selling made by Professor Jim Gower in his discussion document Review of Investor Protection.

Professor Gower, a company law expert and adviser to the Department of Trade, was commissioned last year to review the field of investment services and investor protection after a number of investment company failures.

His first report, in the form of a discussion document, covered a wide range of investment subjects. He was highly critical, in particular, of doorstep sales of linked life bonds.

The Life Officers' Association, the Associated Scottish Life Offices and the Industrial Life Offices Association, in a joint response, say that the lifa assurance industry is already subject to adeqnate supervision by the Department of Trade.

They feel that existing insurance legislation already provides effective protection for the public. They do not acknowledge the distinction made by Professor Gower between traditional forms of life assurance and linked life contracts, which he wants treated as securities.

The associations defend the sale of life contracts in the homes of individuals, pointing out that the greatest number of families obtain life assurance protection by that means. They point out that selling in the home enables the family to discuss its savings needs and often the agent creates a lasting relationship with the family.

The present codes of selling practice are defended by the associations as providing effective ways to regulate marketing methods. But they admit that, if the codes, which are voluntary, were found to be unworkable, then life companies would prefer a self-regulatory system, as suggested by Prof Gower, rather than full-scale government control.

The associations would be prepared to examine agreed standards of competence for all sellers of life assurance, but feel that would be a long-term operation.

Prof Gower's recommendation of a Pension Scheme Act is rejected by the associations, which consider his recommendations on regulation of pension schemes remote from his terms of reference.

Firedamp caused pit explosion

By Our Labour Correspondent

AN EXPLOSION which seriously injured 40 men at a colliery near Glasgow in January was caused when firedamp gas was ignited at the coalface by frictional sparking, says a report published yesterday by the Health and Safety Executiva.

Tha accidant was at the V52 face of Cardowan Colliery, which normally produces about 6,000 saleable tonnes a week. The gas, mainly methane, built up in a part of the pit which had been flooded, said the report.

When some water was jumped out a measure of gas escaped. Tests then did not show an excessive amonnt of gas, but it is thought likely that gas reached the coalface 10 or 15 minutes later.

It was ignited by frictional sparking from the picks of the mechanised shearer-loader cutting into the sandstone floor. The report recommends further research into frictional sparking, and that firedamp dispersal be given priority.

The Explosion at Cardowan Colliery, Stepps, Strathclyde Region, January 27 1982. SO, £2.50).

Shipping group seeks hearing

By Our Law Courts Correspondent

TRADE AND MARINE, of Hamburg, a member of the Gulf Shipping group, is to seek an early hearing in the Commercial Court of its claim that a ship it chartered was wrongfully withdrawn from its service.

The company is claiming about $77,000 (£43,000) loss of profit from Anangel Glory Compania Naviera, a member of the Piraeus-based Anagel Shipping Enterprises group, which withdrew the 22,670-ton bulk carrier, Anangel Glory, in 1979 for alleged non-payment of hire.

Trade and Marine denies that it defaulted on the hire payments, and the case will involve consideration of both banking practice and methods of payment of charter hire.

Last month, Anangel was held in the High Court to have suffered losses totalling $77,400 when a fresh charter of the vessel it was negotiating, after the withdrawal, was frustrated by an injunction to stop it withdrawing the vessal from Trade and Marine.

Travel agents 'shirk duty'

BY RAYMOND SNODDY

TRAVEL AGENTS may be shirking their duty to tell travellers about health care, according to BMA New Review, a monthly magazine circulating to more than 60,000 doctors in the UK.

Magazine staff visited eight travel agents in central London saying they planned to go to Egypt in September and asked what medical precautions should they take.

Only one recommended vaccinations for cholera, typhoid and para-typhoid, although the Department of Health and Social Security advises that all travellers should have these plus polio vaccinations. The other seven agents said only anti-malaria pills were needed when visiting the Nile delta between June and October.

The magazine says there has not been a single order from a travel agent for copies of the British Medical Association's Family Doctor publication Health on Holiday, published recently.

Some big travel companies give good advice but "it still appears that yon have to be an aware and persistent person to find out even the most basic holiday health care precautions," the magazine says.

UK NEWS

British Gas banned from exploration of oil areas

BY RAY DAFTER, ENERGY EDITOR

BRITISH GAS Corporation is being barred by the Government from exploration of areas of the UK continental shelf which are expected to yield oil.

The corporation was told yesterday that it must limit its applications for new licences to areas likely to yield natural gas —in essence, the southern sector of the North Sea.

The move, announced in the Commons by Mr Nigel Lawson, the Energy Secretary, is the latest in a series of proposed restrictions on the corporation's oil interests.

Mr Lawson said it was still the Government's intention to force British Gas to dispose of its existing oil production assets, which include its half-share of the important Wytch Farm Field in Dorset and stakes in the Beryl, Fulmar, Montrose, Hutton and North-West Hutton fields off-shore.

Mr Lawson added that British Gas would also be required to sell any oil it might discover in its search for natural gas.

The corporation, which is planning its startegy for application in the eighth-round of exploration licences, to be offered this summer, said last night that it was "disappointed" by the announcement.

It said that it was often difficult to tell whether an exploration well would locate oil or natural gas. The two materials were often found together. The Frigg Field—one of the most important discoveries of natural gas in the North Sea—had been found in an area previously thought to contain mainly oil-bearing prospects.

On the face of it, the restrictions present problems for the newly-formed consortium of British Gas and Mobil Oil. The corporation and the U.S.-based oil group have agreed to bid for eighth-round licences. It is understood that the joint-venture will relate only to exploration blocks which are likely to bear gas.

The Energy Department had hoped British Gas would sell its half-share in the Wytch Farm field by the end of March. Delays in drawing up the offer document have meant a postponement in the sale. The document is being discussed with departmental officials and could be published within weeks.

Our Dublin Correspondent writes: British National Oil Corporation is to explore in four newly-licensed blocks off the west coast of Ireland. It is also to supply the Irish state oil company with up to 2.5m tonnes of crude oil over the next five years.

The deals were announced in Dublin last night. The four blocks in the Porcupine Basin will represent BNOC's second exploration venture outside the UK.

The corporation has also formed a partnership with Atlantic Richfield to drill for oil and gas in Dubai.

Index-linked savings plan announced by Alliance

By Eric Short

THE Alliance Building Society, the seventh largest, announced yesterday the first index-linked investment scheme for building society investors.

The value of the investment, under the Alliance Index-Linked Certificate, will be increased in line with the Retail Price Index over a five-year investment period. A bonus of 10 per cent of the original investment is added after the five years.

The index-linked addition would be free of income tax, investment income surcharge and, in most cases, capital gains tax. The bonus would be subject to higher rate tax.

This challenge to granny bonds, as the Index-Linked National Savings Certificates are commonly called, is possible because of the capital gains tax changes in this year's Finance Bill.

The Alliance index-linked certificate offers double the maximum investment—£10,000 against £5,000 for granny bonds—and a higher final bonus—10 per cent against 4 per cent, although the granny bond bonus is tax free.

The certificates will become available once the Finance Bill becomes law, probably at the end of next month. Alliance expects initial demand to be about £3m to £4m a week and believes the certificates will raise at least £100m in 12 months.

Alliance is unable to use the money raised from the certificates for mortgage lending because it cannot offer index-linked mortgages. So to match the liabilities of this new scheme, investment will be specifically in index-linked gilts, primarily the Treasury 2 per cent 1996 stock.

Alliance has already bought £22m of this stock in order to meet initial demand.

Mr Roy Cox, chief general manager of Alliance, believes this breakthrough in building society investment will attract many investors seeking a simple approach to index-linked schemes.

£60m electronic aid plan launched

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A £60M AID scheme aimed at encouraging engineering companies to automate production lines with electronic techniques was launched yesterday by the Department of Industry.

It is the latest of a series being developed by the Department to boost investment in advanced technologies.

About £45m of the £60m is assembled from the Department's existing aid allocations. The other £15m is extra money provided from the Government's £130m innovation package announced in the Budget.

The £60m will be used to boost flexible manufacturing projects in which machine-tools for engineering batch work are automatically controlled by a central-on-line computer. Other work areas and flow of components and tooling are also controlled by the computer.

"It is estimated that at least 70 per cent of the output of the engineering sector involves batch production, and flexible manufacturing offers immense cost and quality benefits," Mr Kenneth Baker, Industry Minister responsible for information technology, said yesterday when he launched the scheme.

He stressed that the Government did not want to encourage building of "massive national showpiece automated factories." The scheme was aimed at "encouraging competitiveness, not just national pride—we do not want to develop white elephants".

Sir Jack Wellings, chairman of the 600 Group which has pioneered work in flexible automation, told engineers at the Industry Department: "This scheme will allow you to have a go, to take a sniff, and to see if you like it".

Companies can obtain grants from the Department covering 50 per cent of cost of consultancy studies and up to 33⅓ per cent of development and capital equipment costs for a new system.

About 20 projects have been submitted for approval. Two are budgeted to cost about £20m each but most are estimated between £1m and £5m. They come from manufacturers of diesel engines, mining equipment, vehicle components, central heating and domestic appliances.

The £60m will be divided into two parts. Some £25m will go to high-risk projects through the Department's requirements boards, administered under the Science and Technology Act, and £35m be spent under Industry Act criteria on more conventional projects.

Administration of the Department's aid for installation of robots, part of an existing £10m robotics scheme, is being absorbed within the new arrangements.

Export of services down 3% by volume

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN'S exports of services fell by 3 per cent by volume in the first three months of this year, compared to the average of last year, according to official figures out yesterday.

Last year, earnings from all services—including shipping, financial, aviation and travel—contributed £16.9bn to export earnings and £4.1bn to the balance of payments surplus.

In the first three months of this year, earnings from services fell by about ½ per cent, compared to the previous quarter, to £4.36bn. However, the volume of services exported fell more sharply, by nearly 4 per cent, in the period. The imports of services fell by about 2 per cent in the first quarter of this year, against the previous quarter.

The volume of services is now about 1 per cent less than it was in 1975, and 10 per cent less than that achieved in 1979. By contrast, the volume of imports of services has risen by 12 per cent since 1975, and by about 4 per cent since 1979.

The new figures show a substantial fall in the first quarter in the earnings from tankers, compared to the average for last year, although there was little change in the earnings from dry cargo.

The balance on travel, though improved slightly in the fourth quarter, with a 6 per cent reduction in the number of Britons travelling abroad, and lower average spending compared to the first three months of 1981, by those who did travel. Against this, there was a 5 per cent increase in the number of overseas visitors to the UK, although each one also spent less on average.

The figures also suggest a deceleration in the rate of overseas investment by the institutions. The balance of UK private investment overseas in the first quarter fell by £835m, compared to the previous quarter, to £2.3bn. This compares to an average of about £2.9bn per quarter in 1981. However, overseas investment in the UK private sector increased from £450m to £1.1bn.

There was also a substantial fall in the balance of foreign currency borrowing and lending by UK banks—from £2.6bn in the last three months of 1981 to £1.4bn in the first three months of this year.

The overall outflow on the capital account for the first quarter was £322m, which compares in an average outflow of about £2bn per quarter last year, and of about £450m per quarter in 1980.

BP sells diving group stake

By Richard Johns

BRITISH PETROLEUM has sold its half share in Sub Sea International, the world's third largest diving company, to Ocean Drilling and Exploration, its former equal partner in the venture.

The price paid for BP's stake originally acquired in 1976, has not been revealed but it is understood to be about $20m.

BP's latest sale is in line with its policy of divesting itself of service ventures. BP said it intends to keep a close connection with Sub Sea International and continue developing its own expertise in off-shore technology.

News of the transaction followed a day after the announcement that BP had sold its stake in the North Sea Beatrice Field to London and Scottish Marine Oil for £75m.

Turnover of Sub Sea International, based in New Orleans, is running at about $60m a year. It is engaged in a broad spread of exploration, construction and maintenance activity, mostly in the North Sea. Most of its 800 employees are British.

It is the fifth sale of its kind made by BP in the past year—including Vikoma, which is involved with oil slick control systems and equipment, and Omisco, which is engaged in off-shore maintenance

No limits to be put on North Sea oil production

BY RAY DAFTER, ENERGY EDITOR

OIL PRODUCTION from the North Sea will not be restricted, the Government has decided, even though output is well in excess of UK consumption.

Mr Nigel Lawson, the Energy Secretary, told the Commons yesterday that the oil industry would be left free from depletion controls until at least the end of 1984.

The announcement was immediately welcomed by the offshore industry which had pressed the Government to allow production to continue unhindered.

Under depletion measures outlined in 1974 by Mr Eric Varley, the then Energy Secretary—the so-called "Varley Assurances"—the Government has the option to restrict the output of individual fields by up to 20 per cent. The Government could have begun implementing such restrictions at the beginning of this year.

Mr Lawson said that freedom from depletion controls would allow the oil industry a firmer base for its exploration of and investment in the UK Continental Shelf which would help increase oil supplies in the 1990s and beyond.

He said the decision was also in line with the conclusions of a recent report by the Commons Energy Select Committee. The all-party committee suggested that it was in the national interest to adopt a "repletion" policy—aimed at encouraging further development of offshore areas—rather than opt for short-lived restrictions.

Even so, Mr Lawson indicated that he was retaining two options which could be used as depletion measures: the right to delay the development of new fields—an option which would be considered on a case-by-case basis—and the right to restrict field development projects which were likely to waste gas produced with oil.

Mr Lawson recently announced that production from the North Sea had passed the "notable milestone" of 2m barrels a day—the equivalent of 100m tonnes a year. This output compares with last year's UK oil demand of just 74.7m tonnes.

The amount of net exports is expected to increase in the next few years. Little growth is foreseen in UK oil demand, but the Government expects output to rise to between 90m and 115m tonnes in 1983, to between 95m and 125m tonnes in 1984 and to between 95m and 130m tonnes in 1985.

According to government and industry projections offshore output will fall in the late 1980s.

Money supply growth on target

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE UK money supply has grown at a rate well within the Government's target range in the three months since February, according to preliminary estimates from the Bank of England yesterday.

MONEY SUPPLY GROWTH February to March annualised percentage increase	
Sterling M3	10
PSL 2*	9½ to 10½
M1	0 to ½

* Private Sector Liquidity

It said that sterling M3, the broad measure of money which includes interest-bearing deposits with banks, probably grew by about 1½ per cent in the four weeks to May 19. This would represent a growth of 10 per cent at an annualised rate since February, compared with the Government's target range of between 8 per cent and 12 per cent.

It is suggested that the broadest measure of money which includes building society deposits, Private Sector Liquidity 2 (PSL2) may have grown by between ¾ per cent and ⅞ per cent in the banking month of May.

The narrow definition of money, M1, which includes notes, coin and cheque accounts with banks, also grew by about 1-1 per cent in May, which suggests an annual rate of growth of less than ½ per cent since February.

According to the monthly statement by the London clearing banks yesterday, their lending grew by £364m in banking May, which suggests an underlying rise of about £600m to £650m for the month.

In the three months to May, the London clearing banks increased their lending by £3.59bn. Much of it represents advances to the personal sector.

In recent months, total bank lending to the private sector has been increasing at the rate between £1½bn and £2bn per month. When the final figures are available for May it apears likel ythat they will show a fall in the rate.

'Pirates of Chittagong' test case for insurers

By Raymond Hughes, Law Courts Correspondent

A RAID by armed men on a ship anchored off the Bangladesh port of Chittagong has led to a test case on marine insurance in the Commercial Court in London.

The court was asked yesterday to decide whether the raiders were pirates, whose activities came within the insurance cover provided by the rules of the Hellenic Mutual War Risk Association (Bermuda).

In June 1977 the Andreos Lemos, owned by Athens Maritime Enterprises Corporation, was anchored in Bangladesh territorial waters, 3½ miles offshore, in the Chittagong Roads.

She was boarded by six or seven people armed with long knives, who stole mooring ropes and other equipment valued at US$ 5,754 (about £3,200) before being repelled by the vessel's crew, one of whom fired rockets

Athens Maritime claimed under its insurance with Hellenic, asserting that the ship's gear was lost as a result of either piracy, riot or persons acting maliciously, all of which were covered by the association's rules.

The association rejected the claim, saying that the loss was not covered by the rules.

Mr Anthony Hallgarten, QC, for Athens Maritime, told Mr Justice Staughton that it had been a fairly prosaic piece of piracy.

He said that piracy was defined in a case in 1696, involving taking of a ship in the East Indies, as "robbery committed within the jurisdiction of the Admiralty."

That jurisdiction was picturesquely defined in English law as "places where great ships go."

The association, said Mr Hallgarten, argued that the raid on the Andreos Lemos had the character of theft rather than piracy, and that in any event an act of piracy could not be committed within territorial waters.

Mr Hallgarten suggested that such a distinction between territorial and non-territorial waters was artificial.

It would be strange, he said, if an act were piracy if committed just outside territorial waters, but not if it occurred a few hundred yards nearer the shore.

The hearing continues today.

Gasco actions defended

SAVINGS and Investment Bank, the Isle of Man banking group, is defending two legal actions started by Mr Jim Raper's master company Gasco Investments on June 4. The bank will contend that all requests for advances to Gasco under the loan facilities have been met.

The litigation has been started by Mr Raper following Savings and Investment Bank's proceedings for loan repayments and its successful application for an injunction against Gasco and St Piran in March. That injunction is still in force.

One of the actions launched by Gasco claims various declarations regarding loan facilities arranged with the bank, and an injunction. The other action, also in relation to those loans, claims damages. Contrary to an earlier announcement by Mr Jim Raper on June 3, as published in good faith in our issue of June 4, the amount of damages claimed is as yet unspecified.

Car production 'flat'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR PLANTS returned to normal working last month and output bounced back from the depressed level in April, when disputes hit both Ford and BL.

But the Department of Industry suggested yesterday that "the underlying level of production is probably, at best, broadly flat and a little lower than in the second half of last year."

Recorded car output in May was 80,000 compared with 65,000 in April and only 55,000 in the same month last year, also a period when the motor industry was badly affected by industrial disputes.

In the first five months output reached 402,000, or 2.8 per cent more than the 391,000 for the January-May period of 1981.

Recorded commercial vehicle output also recovered in May.

Production of 33,700 commercials compared with 20,400 in April and 15,900 in strife-torn May 1981.

In the first five months commercial vehicle output rose 21 per cent, from 93,800 to 113,800, but 1981 witnessed the lowest level of production since records were first kept in their present form 40 years ago.

The department suggests the latest figures show "a continuation of the modest recovery evident from the middle of last year."

● Champion Sparking Plug, the U.S.-owned group, will expand its two plants at Upton, Wirral, with the help of department cash.

Most of the investment will provide a kiln at the ceramic plant to meet the company's full European requirement of insulators, part of which now comes from the U.S.

Champion said yesterday that the move would give job security for the 800 at Upton.

Increase in output of houses

By Michael Cassell

THE RECENT increase in house-building was maintained in April, according to figures published yesterday by the Department of the Environment.

Provisional estimates from the DoE suggest that a start was made on 18,000 homes during April, the fourth successive monthly increase. It was the highest total in one month since November 1979.

In the private housing sector, where activity appears to be accelerating as the year progresses, it is estimated that work began on 13,400 homes, a marginal improvement on the previous month. The balance was accounted for by the public housing sector.

In the first four months of the year, the total number of homes on which work began reached 63,000, compared with 45,500 in the equivalent period of 1981.

According to the DoE, total starts in the quarter to the end of April were, after seasonal adjustment, 37 per cent higher than in the preceding quarter and 45 per cent higher than a year earlier.

But the construction industry completed only 12,100 homes in April, against 15,700 in the previous month. A year earlier, the total was 14,200.

The DoE says there were 2 per cent more housing completions than in the previous quarter, but 21 per cent fewer than a year earlier. The Department also reported estimates which suggest that 17,700 homes belonging to local authorities and new town corporations were converted or improved in England during the first quarter of the year, compared with 14,400 in the last three months of 1981.

Equity settlement system studied

BY JOHN MOORE, CITY CORRESPONDENT

THE STOCK EXCHANGE ruling council has commissioned a feasibility study to establish the cost of developing and operating a streamlined settlement system for deals carried out in equities and company fixed-interest securities.

The move follows an extensive study on ways to improve further the settlement system. A Securities Industry Consultative Committee on equity settlement was appointed by Sir Nicholas Goodison in September 1980, and has now presented its final report.

It proposes that shareholders would be able to maintain uncertified accounts on a company's share register, with transfers of ownership taking place without a share certificate.

Banks and stockbrokers acting as agents, investing institutions and other major shareholders would be able to authorise the transfer of shares by computer terminals linked to a central settlement office.

This office would maintain records of ownership to provide immediate confirmation of holdings and pass on transfer instructions to company registrars in a form convenient to them.

Private shareholders would normally participate only through agents. The shareholder's name would be held on the register, and his rights to vote and attend company meetings would be unaffected. This would be a voluntary service for investors. The present arrangements will continue for those who wish to retain their certificates.

Technology magazine to close

BY TIM DICKSON

A WEEKLY technology magazine launched at the beginning of February will suspend publication after this week.

Technology Week, which carries news and comment on new products, technological innovations and applied science, was started with the help of £45,000 from Williams & Glyn's Bank backed by the Government's Loan Guarantee Scheme.

Mr Nicholas Leonard, the publication's owner, said it had consistently failed to achieve its 20,000 circulation target. It sold about 12,000 a week initially, but this had fallen to 6,000.

Mr Leonard, who has a number of other business interests including directorships of Independent Newspapers, Fitzwilton and Atlantic Resources, is negotiating with two potential buyers.

MILTON KEYNES Web Offset has announced that it is to close, with the loss of more than 80 jobs, writes Raymond Snoddy.

The company prints the Baptist Times, Catholic Herald, Soviet Weekly and West Indian World.

Just over two months ago, the company took on a three-year contract to print the new newspaper of the Central Electricity Generating Board. It also printed Pru News, the newspaper of Prudential Assurance, Automart and Publishing News.

Customers received a letter this week which said: "We have been making losses for some time, and circumstances appear so unfavourable in the short and medium term that it leaves no alternativa but to take what is an unhappy but inevitable decision."

Mr Leonard said yesterday he felt he underestimated the promotional costs needed to launch the venture. He remains convinced there is a market for this type of publication.

Mr Leonard could lose £120,000 of his own money—Technology Week's estimated net deficit.

The Government, however, will not have to pay up for the original loan. Williams and Glyn's took a debenture on the assets of the company, which are more or less equal to the amounts owed to creditors.

Technology Week employs eight people based at its Eastbourne offices.

British Shipbuilders faces fight for orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT IN ATHENS

BRITISH SHIPBUILDERS will have a struggle to meet its reduced £10m loss target, set by the Government for the current financial year, because of a marked slow-down in orders.

"We're in for a difficult year," said Mr Robert Atkinson, its chairman, during the Posidonia shipping exhibition in Greece.

The nationalised group has reduced its trading losses in recent years. Figures for the financial year to March 31 will show that it was within its £25m loss limit. There was a deficit of £41m a year earlier.

Mr Atkinson said British Shipbuilders was having to fight for the few world shipbuilding orders available at absurd prices. At the end of March the order book was just over £3bn, of which two-thirds was for warships.

The merchant ship order book stood at £680m. That was after a year in which the order inflow had risen by some 50 per cent. The remaining orders were for engines and oil rigs.

One way the group hopes to find business is through new designs, one of which it announced in Athens yesterday. This is for a £13m multi-purpose cargo ship, the SD 22, which carries on from the successful SD 14 range built by Austin and Pickersgill on the Tyne.

Mr Atkinson described the 22,000 deadweight tonne ship as "a winner." It can carry just over 1,000 container units and has a relatively shallow draught and short length. The company has likened it to a Rubik cube because of its chunky appearance when stacked with containers.

Over the past 15 years, the SD 14 has been one of the world's most successful cargo ships. "I believe the SD22 will also have a major appeal for our shipping friends around the world," Mr Atkinson said.

Mr John Parker, the group's deputy chief executive, said it hoped for orders for the ship from Greek and Third World shipowners, among others.

The group expects further orders for its 42,000-tonne efficiency bulk carrier introduced last year. It badly needs more orders to keep meeting government targets.

On the 1982-83 loss limit of £10m, Mr Philip Hares, finance director, said: "We're going for it, but it won't be easy." Several yards needed more orders especially near the end of the year.

One small order which the group announced yesterday was for a £3.5m coastal ship for the Stephenson Clarke shipping subsidiary of Powell Duffryn.

Talks about possible orders are going on in Brazil, Mexico and elsewhere.

Each year, said Mr Parker, the group needs to win orders for about 45 ships to keep up its financial performance. In the last financial year, it won 60. But no new large merchant orders have been announced for some months.

● Atkinson: "difficult year"

MOTOR CARS

1982 MODEL VAUXHALL ROYALE 3 LT Fuel injection Automatic Saloon, 4,000 miles only. Part Exchange considered. £11,250. Stratford-upon-Avon 06256. (Trade).

LEGAL NOTICES

IN THE MATTER OF R R INVESTMENTS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 26th day of August 1982 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned

SURJIT KUMAR SINGLA, F.C.A., of Singla and Co., Chartered Accountants, of 423 Alexandra Avenue, Harrow, Middlesex HA2 9SE.

the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 28th day of May, 1982.

S. K. SINGLA, F.C.A. Liquidator.

PERSONAL

IN LOVING MEMORY

Floral tributes fade. Your regard for a departed friend lives on if you make a donation in their name to Help the Aged's work—towards a Day Centre for the lonely, medical treatment or research for the old, or help for the housebound. Every £ achieves a great deal for the old. Please let us know the name you wish to commemorate.

Send to:
The Hon. Treasurer
The Rt. Hon. Lord Maybray-King
Help the Aged
Room FT1NM, 32 Dover Street
London W1A 2AP

PUBLIC NOTICES

CITY OF EDINBURGH DISTRICT COUNCIL

VARIABLE RATE REDEEMABLE STOCK 1983

For the six months from 9th June 1982 to 9th December 1982 the interest rate on the above stock will be 6.78125% per annum

BANK OF SCOTLAND
55 OLD BROAD STREET
LONDON EC2P 2HL

ART GALLERIES

CRANE GALLERY, 171a (First Floor), Sloane St., SW1. 01-235 2464. 3 minutes from Harrods. In unusual and beautiful surroundings: ENGLISH COUNTRY ART and AMERICANA—Paintings, Furniture, Quilts, Decoys, etc. Daily 10-6: Sats 10-4.

CRANE KALMAN GALLERY, 178 Brompton Rd., SW3. 01-584 7566. Works by Nicholson, Sutherland, Lowry, Spear, Piper, Hitchens, Colquhoun, Sickert, Wood. Daily 10-6: Sats 10-4.

THACKERAY GALLERY, 18 Thackeray St., Kensington Sq., W8. 037 5883. SUMMER EXHIBITION Including HANS SCHWARZ. Until 31 July.

THE PARKER GALLERY, 2, Albemarle St., Piccadilly, W1. Exhibition of Old Marine, Military and Sporting and Topographical Prints and Paintings and Ships Models.

RICHARD GREEN GALLERY, 4, New Bond St., W1. 01-499 5487. EXHIBITION OF FRENCH PAINTINGS. Daily 10-6. Sats. 10-12.30.

MARGOT RARRISON, Watercolours and small oils. THE BRADSHAW ROOM, 17 Carnac Bridge Terrace, SW1. Until 17 June. Mon.-Fri. 10-5.

COLNAGHI'S, 14, Old Bond St., W1. 01-491 7408. 19th CENTURY FRENCH DRAWINGS. Until 11th June. Mon.-Fri. 10-6. Sat. 10-1.

WHITECHAPEL ART GALLERY, E1. 377 0107. Tube: Aldgate E. To 20 June JANNIS KOUNELLIS. Sun.-Fri. 11-5.50

LEFEVRE GALLERY, 30, Bruton St., W1. 01-493 1572/3. AN EXHIBITION OF IMPORTANT XIX & XX CENTURY WORKS OF ART. Mon.-Fri. 10-5. Sat. 10-1.

AGNEW GALLERY, 43, Old Bond St., W1. 629 6176. MASTER PAINTINGS 1470-1820. Also late Turner Watercolours. Until 30 July. Mon.-Fri. 9.30-5.30. Thurs. until 7.

ROY MILES, 6, Duke St., St. James's... CHRISTOPHER STEIN. New Paintings.

BLOND FINE ART, 33, Sackville St., W1. 01-437 1230. MALCOLM ARBUTHNOT and JACK MERRIOTT. Until 10 June.

NICOLA JACOBS GALLERY, 9, Cork St., London, W1. 01-437 3868. Gary Wragg paintings until 10th June.

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For further details write to:
Classified Advertisement Manager
Financial Times
10, Cannon Street, EC4P 4BY

CONTRACTS & TENDERS

INVITATION FOR PRE-QUALIFICATION

FIRST STAGE ISTANBUL SEWERAGE PROJECT

Contractors in the field of civil and sanitary engineering works, with particular experience in the construction of sewerage systems, treatment plants, sea outfalls and the attendant electrical and mechanical works are invited to participate in a pre-qualification procedure, in order to be included in the list of prospective contractors for the execution of the First Stage Istanbul Sewerage Project (Yenikapi area).

THE PROJECT:

1. The General Directorate of Istanbul Water and Sewerage Administration (ISKI) is responsible for the preparation and execution of a sewerage and sewage disposal project in the Greater Istanbul Municipality area, which has been scheduled for execution during 1982-1987.
2. The project regarding its major contracts has been or is being prepared with the assistance of the Engineering Consultants who will also contribute to the pre-qualification of contractors.
3. The project comprises the construction of sewage disposal facilities for the Yenikapi drainage area, located in the city of Istanbul at the European side of the Bosphorus between the Golden Horn and the Sea of Marmara.
4. The sewage disposal facilities comprise interceptors (about 27 km, of which about 4 km as tunnel), a pre-treatment plant (aerated grit chambers) with influent and effluent pumping stations (max. about 12 m³/sec.), force main (2.4 km) and a submarine outfall main with diffusor into the Sea of Marmara (length 2 km).

THE CONTRACT:

1. The project works will be constructed under six separate contracts, viz:
   a) the Alibeyköy interceptor along the Golden Horn, covering a construction period of 36 months starting July 1983 (issue of enquiries Jan. 1983, submission of tenders March 1983);
   b) the Bakirköy and Sarayburnu interceptors and force main along the Sea of Marmara, covering a construction period of 32 months starting November 1983 (issue of enquiries May 1983, submission of tenders July 1983);
   c) the Fatih interceptor tunnel and other possible tunnels, covering a construction period of 24 months starting April 1984 (issue of enquiries Oct. 1983, submission of tenders Dec. 1983);
   d) the influent and effluent pumping station and pre-treatment plant at Yenikapi, covering a construction period of 34 months starting June 1984 (issue of enquiries Dec. 1983, submission of tenders Feb. 1984);
   e) the electrical and mechanical installations attendant to the pre-treatment plant, pumping stations and pumping mains, covering a manufacturing, installation and commissioning period of 34 months starting July 1983 (issue of enquiries Jan. 1983, submission of tenders March 1983);
   f) the submarine outfall main at Ahirkapi, covering a construction period of 30 months starting October 1983 (issue of enquiries March 1983, submission of tenders June 1983).
2. Contractors are allowed to act in joint venture or joint operation with other contractors for this project.

INVITATION:

The forwarding of participation forms for this pre-qualification can be asked by mail or by cable with the latest on June 21, 1982 at the following address:

Mail Address: ISKI, Istanbul Su ve Kanalizasyon Idaresi, Genel Müdürlüğü, Fransiz Cikmazi, Beyoglu-Istanbul, Turkey

Cable Address: Ist Sular Istanbul Turkey

Completed pre-qualification forms shall be submitted in two copies by mail or personal delivery to the above address at the latest on July 23, 1982.

Public Establishment of Electricity

Fincaill directorate-extern contract section

EXTENSION OF THE CLOSING DATE OF TENDERS

No. 1461-1460-1459-1458-1457-1452

Following our advertisement for the a/m tenders which is mentioned in the daily official Bulletin No. 4177 dated 15/5/1982.

Please be informed that the closing date for providing offers is extended to become as follows:

Tender No.	Subject	The closing date	The opening of the offers at 10 o'clock
1452	5 fork lifts	7/7/1982	8/7/1982
1457	75 pick up	1/8/1982	2/8/1982
1458	6 digger derricks hydraulically	4/7/1982	5/7/1982
1457	10 sky lifts	27/7/1982	28/7/1982
1460	Trailers for transporting and laying cable	27/6/1982	28/6/1982
1461	15 wheel drive capacity	11/7/1982	12/7/1982

Damascus 23/5/82

THE GENERAL DIRECTOR OF PEE
ENG. R. IDRISS

SUDAN RAILWAYS CORPORATION

STORES DEPARTMENT

NOTICE

Contract Nos: 5350 SUPPLY OF ONE HEAVY-DUTY GRINDING MACHINE
5351 SUPPLY ON ONE SHAPING MACHINE
5352 SUPPLY OF ONE ULTRASONIC FLAW DETECTOR
5353 SUPPLY OF TWO ARC WELDING SETS
5354 SUPPLY OF TWO DRILLING MACHINES
5355 SUPPLY OF TWO CENTRE LATHES

Sudan Railways Corporation invites for the above tenders which are financed by the World Bank.

Documents can be obtained from the office of Sudan Government Purchasing Agent of 3-5 CLEVELAND ROW, ST. JAMES'S, after payment of £2.00 per set for the first four contracts and £3.00 per set for the last two contracts.

The closing dates affixed for acceptance at ATBARA—SUDAN are:—15th July 1982 for contracts 5350 & 5351, 17th July 1982 for contracts 5352 & 5353, 18th July 1982 for contracts 5254 and 5255.

OFFICE OF CONTROLLER OF STORES

EDUCATIONAL

COMPANY NOTICES

EUROFIMA

(European Company for the Financing of Railway Rolling Stock)

1978/1985 8½% U.S.$20,000,000

Notice is hereby given to Bondholders of the above loan that Eurofima has acquired through purchase in the market an amount of US$800,000 and that such amount will be credited against mandatory payments due on July 1, 1982.

Furthermore Eurofima has exercised its option to redeem an additional US$800,000 by purchase.

Amount outstanding: US$16,800,000.

The Fiscal Agent
KREDIETBANK S.A.
Luxembourgeoise

Luxembourg
June 9, 1982

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BOND DRAWINGS

Notice of Redemption to the holders of

LJUBLJANSKA BANKA

9½% Guaranteed Notes 1983

NOTICE IS HEREBY GIVEN that the following Notes were drawn for redemption on 15 July 1982.

1982

36	44	54	55	05	105	108	145
150	152	155	157	169	182	189	206
218	218	227	230	242	252	258	259
280	265	287	291	295	303	317	318
322	325	330	348	358	362	390	394
396	408	415	420	444	447	448	452
458	481	484	481	598	512	521	524
542	547	548	540	555	558	580	583
590	598	604	607	622	628	838	648
658	678	881	082	601	699	721	728
729	745	750	758	756	775	781	787
801	695	807	811	812	814	821	833
848	848	854	858	855	869	871	872
879	685	889	899	905	913	038	939
941	942	951	971	974	985	993	995
1002	1008	1910	1011	1012	1013	1017	1032
1048	1054	1088	1060	1062	1067	1980	1070
1082	1103	1109	1108	1115	1118	1119	1121
1127	1139	1142	1148	1156	1159	1165	1170
1179	1184	1187	1204	1214	1222	1237	1245
1281	1291	1301	1311	1328	1329	1331	1339
1342	1343	1348	1349	1354	1359	1371	1379
1387	1391	1403	1405	1426	1440	1443	1446
1447	1448	1456	1460	1471	1478	1494	1498
1508	1509	1537	1553	1581	1580	1585	1599

On the 15th July 1982, the notes designated above will become due. The said notes will be paid upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder at:

(a) Fiscal Agent, The British Bank of the Middle East, P.O. Box 242, Sea Road, Abu Dhabi, United Arab Emirates or.

(b) The Hongkong and Shanghai Banking Corporation, Securities Department, 99 Bishopsgate, London EC2P 2LA.

coupons appertaining thereto maturing after the redemption date, at the option in the usual manner.

On and after 15 July 1982 interest shall cease to accrue on the notes herein designated for payment.

LJUBLJANSKA BANKA
BY THE BRITISH BANK OF THE MIDDLE EAST
ABU DHABI

COMPANY NOTICES

GT INVESTMENT FUND S.A.

Registered Office: LUXEMBOURG, 14, rue Aldringen Commercial Register: Section B n° 7.448

Statement by the Chairman in relation to the Extraordinary Meeting of Shareholders to be held 30th June, 1982

You will find enclosed with this Statement a Notice convening an Extraordinary Meeting of Shareholders convened for 10 a.m. on 30th June, 1982.

The first Resolution refers to Article 8 of the Articles of Incorporation of the Fund which permits the Fund to restrict the beneficial holdings of any one person to not more than 5% of the shares of the Fund. In view of the fact that the Fund permits its shares to be issued in bearer as well as in registered form, it is not practicable for the Fund to exercise these powers and your Board has been advised that the continued existence of these powers may result in listing of the shares of the Fund on further Exchanges being denied. Accordingly the first item on the Agenda will deal with the amendment to our Article 8 so that right to restrict holdings of any one person to not more than 5% be removed.

The second Resolution seeks to remove the present restriction contained in Article 15 of the Articles of Incorporation which limits the number of Directors who may serve at any one time to fifteen. This will enable those members of the Advisory Board who serve in an ex officio capacity to join the Board and take a full part in the conduct of the affairs of the Fund.

Shareholders are reminded that the two Resolutions referred to may only be proceeded with if at least 50% of the shares outstanding are represented at the Meeting. Should such a quorum not be present or should the Board so decide for other reasons, a Second Meeting, which will not be subject to such quorum requirement, will be convened by an additional Notice. In such an event a vote on all items on the Agenda will be adjourned to such Second Meeting.

In order to attend the Meeting the holders of Bearer shares should deposit their shares on or before 26th June, 1982 with the Banks listed in the Notice convening the Meeting. Such deposits are required to be maintained and to be effective both for the first and possible postponed meeting.

Holders of registered shares are invited to submit proxies at the registered office of the Fund on or before 28th June, 1982.

9th June, 1982 W. T. J. GRIFFIN, Chairman

Shareholders are hereby convened to an EXTRAORDINARY MEETING OF SHAREHOLDERS

to be held on June 30th, 1982 at 10.00 hours at the registered office of the Fund, 14, rue Aldringen, Luxembourg, with the following agenda:

1. to amend Article 8 of the Articles of Incorporation of the Corporation by deleting any restriction as to the holding by any shareholder of more than 5% of the shares of the Corporation and as to the voting of any shares in excess of 5% of the voting shares of the Corporation held by any shareholder and any reference to shareholders defined in said Article 8 as "5% owner's".
2. to amend Article 15 of the Articles of Incorporation by deleting the limitation of the number of members of the board to 15 members.

Shareholders are notified that Resolutions on the above agenda may only be taken if at least 50% of the shares outstanding are represented at the meeting. Should such quorum condition not be fulfilled or should the Board so decide for other reasons, a second meeting which will not be subject to a quorum requirement will be called by additional notices. In such event the vote on all items of the agenda will be adjourned to such second meeting.

In accordance with Luxembourg law, in both meetings, Resolutions will be subject to a ⅔ of the shares represented at the meeting, provided, however, that at the second meeting, shares not represented will (in a number not exceeding ⅓ of the total number of the outstanding shares) be deemed to vote for the resolutions proposed above, and provided further that in such latter case the Resolutions must be voted by the majority of the shares represented at the meeting.

In order to attend the meeting, holders of bearer shares should deposit their shares on or before June 24th, 1982 with the banks listed hereafter, such deposits to be maintained and to be effective, in the event of the shareholders' meeting of June 30th, 1982 fails for lack of quorum, also for any postponed meeting. With respect to registered shares, proxies should be deposited at the registered office of the Fund on or before June 24th, 1982.

- Amsterdam-Rotterdam Bank N.V., Amsterdam
- Bank Julius Baer & Co., A.G., Zurich
- Banca d'America e d'Italia, Milan
- Banque Générale du Luxembourg, Luxembourg
- Banca Commerciale Italiana, Milan
- Banca del Gottardo, Lugano
- Banca Nazionale dell' Agricoltura, Rome
- Bank Leu & Co., Zurich
- Banque de l'Indochine et de Suez, Paris
- Banque Scandinave en Suisse, Geneve
- Banque de Paris et des Pays-Bas, Paris 8e
- John, Berenberg, Gossler & Co., Hamburg
- Berliner Handels-Gesellschaft-Frankfurter Bank, Frankfurt
- Berliner Bank A.G., Berlin
- Effectenbank-Warburg Aktiengesellschaft, Frankfurt
- Guyerzeller Zurmont Bank A.G., Zurich
- Badenwürttembergische Bank A.G., Heilbronn
- Nederlandsche Credietbank, Amsterdam C
- Pierson, Heldring & Pierson, Amsterdam
- Privatbanken i Kjøbenhavn S.A., Copenhagen
- Skandinaviska Enskilda Banken, Stockholm C
- Banca della Svizzera Italiana, 6901 Lugano
- Banque Transatlantique, Paris 8e
- Caisse Nationale de Crédit Agricole, Paris 15e
- Crédit Industriel et Commercial, Paris 9e
- Merrill Lynch, Pierce, Fenner & Smith Securities Underwriter Limited, London EC1A 7DA
- Crédit Industriel d'Alsace et de Lorraine, Luxembourg
- Oversea Luxembourg, S.A., Luxembourg
- R. Henriques jr., Copenhagen
- Samuel Montagu & Co. Ltd., London EC3P 3HY
- Bayerische Vereinsbank, München
- Vereins- und Westbank A.G., Hamburg

THE BOARD OF DIRECTORS

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

The following final dividends have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 25 June 1982:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share cents
Doornfontein Gold Mining Company Limited	51	120
Driefontein Consolidated Limited	19	135
Kloof Gold Mining Company Limited	25	150
Libanon Gold Mining Company Limited	63	140
Venterspost Gold Mining Company Limited	84	55
Vlakfontein Gold Mining Company Limited	75	20

Deelkraal Gold Mining Company Limited—In view of the present low gold price, and in order to conserve this company's cash resources, the directors have decided not to declare a dividend.

Dividend warrants will be posted on or about 3 August 1982.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 25 June 1982 in accordance with the abovementioned conditions.

The registers of members of the above companies will be closed from 26 June to 2 July 1982, inclusive.

London Office:
49 Moorgate,
London EC2R 6BQ.
United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London SW1P 1PL.
9 June 1982

By order of the boards,
C. E. WENNER,
London Secretary.

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS AND CONSIGNEES
BUNKER SURCHARGE—INCORPORATION INTO TARIFF RATES

The member Lines of the above Conferences have been giving consideration to the present Bunker Surcharge arrangements which have been in effect since April 1978 in order to compensate them to some extent for the escalation in fuel costs which have occurred since that time. They have decided that the current bunker surcharge arrangements can no longer be considered a temporary measure and that an additional separate charge will now become part of the Lines' normal operating costs. Accordingly, it has been agreed that the Bunker Surcharge which, under existing arrangement, would become effective on 15th August 1982 will be replaced by the current adjustment factor in effect on 15th July (except where this is already included in the rates) and the resultant figure incorporated into the Conference tariff rates with effect from 1st September 1982.

In the case of rates with a termination date beyond 1st September, 1982 the Bunker Surcharge will be frozen at the appropriate 15th August level and the roll-in will take place on 1st January 1983 with the same currency arrangement as detailed above.

ATLANTIC CONTAINER LINE G.I.E.
CANADIAN PACIFIC STEAMSHIPS LTD.
CAST CONTAINERLINE (CANADA) N.V.
HAPAG-LLOYD AG
MANCHESTER LINERS LTD.
GOLDEN CROSS LINE LTD.

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD. Secretaries

Cunard Buildings,
Liverpool L3 1QS.
June 1982

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) OF
MURATA MANUFACTURING CO., LTD.

The 45th Ordinary General Meeting of shareholders of Murata Manufacturing Co., Ltd. will be held on June 29, 1982.

1. Approval of Financial Statements and proposed appropriation of profits for the 45th Fiscal Year (Year ended March 31, 1982).
2. Approval of revision of the Articles of Incorporation of the Company.
3. Approval of retirement of remuneration for Directors and Statutory Auditors of the Company.

(Full text of Notice is available at Citibank, N.A., London)

Shareholders who wish to exercise their voting rights must deposit their certificates not later than June 15, 1982, at the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, or the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg, together with instructions indicating the way the shares are to be voted.

CITIBANK, N.A., LONDON
Depositary

June 9, 1982.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) OF

ASAHI GLASS CO., LTD.

NOTICE IS HEREBY GIVEN that pending the payment of a cash dividend to shareholders of record date June 30, 1982 the shareholders' register will be closed for the period July 1-31, 1982 and during this period it will not be possible to register the transfer of shares against the surrender of EDRs.

Furthermore, it has been announced that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from June 25, 1982.

Subject to payment of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for claiming payment thereof as soon as practicable after receipt of the dividend by the Depositary.

Coupon No. 2 will be used for collection of this dividend.

CITIBANK, N.A., LONDON
Depositary

June 9, 1982.

SOCIETES REUNIES D'ENERGIA DU BASSIN DE L'ESCAUT (EBES)

Société Anonyme

RESULTS OF THE OFFER BY PUBLIC SUBSCRIPTION OF 2,687,500 NEW PARTS SOCIALES OF N.P.V.

The public offer for subscription of 2,687,500 new Parts Sociales of n.p.v. reserved as to 2,662,500 shares to the holders of the 13,312,500 old Parts Sociales and as to 25,000 shares to members of the Staff of the issuing Company and/or the S.A. "Interescaut," in accordance with the decision of the shareholders Extraordinary General Meeting of the 26th April 1982, closed on the 26th May 1982.

The 25,000 Parts Sociales reserved for the staff of the above mentioned two Companies have been fully subscribed.

Of the 2,662,500 Parts Sociales offered by right to the holders of the old Parts Sociales, 2,424,939 have been subscribed, i.e. 91%. The preferential rights not exercised, i.e. 1,187,805 coupons No. 40, which entitled subscription to the remaining 237,561 new Parts Sociales will be offered for sale for account of the holders of the said coupons No. 40:

—at the Stock Exchanges of Bruxelles and Antwerp on Thursday 10th June 1982

—at the Luxembourg Stock Exchange on Friday 11th June 1982.

These rights will be represented by "Scrip" entitling subscription to the 237,561 new Parts Sociales at the price of F.1,625 per share, payable in full at the time of subscription, in the proportion of ONE new Part Sociale for 5 subscription rights.

These new Parts Sociales will have the benefit of all the fiscal advantages provided by the Royal Decree No. 15 which encourages the subscription or purchase of shares in Belgian Companies.

These advantages include:

—Exemption, for individuals, of tax on dividends paid in respect of the years 1983 to 1992

—Freedom from deceased estate and gift taxes for 10 years from the date of subscription.

The "Scrip" supporting the supplementary subscriptions must be lodged, by Thursday 17th June 1982 at the latest, at the counters of any of the undermentioned banks, after which date the Scrip will be valueless:

In Belgium:

—Societe Generale de Banque
—Banque Bruxelles Lambert
—Banque de Paris et des Pays-Bas Belgique
—Kredietbank
—Banque Degroof
—Banque Belge pour l'Industrie

In Luxembourg:

—Banque Generale du Luxembourg
—Banque Internationale a Luxembourg

In London:

—Banque Belge Limited

No return to UN over Falklands

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER yesterday rejected demands that Britain should make another attempt to settle the Falklands conflict through the UN Security Council.

She made clear that Argentine troops had the alternative of withdrawing or being thrown off the islands by force.

"We shall now have to take back by force what the Argentines would not give up by adhering to the UN Security Council resolutions," she told MPs as the Commons met for the first time since the Whitsun recess.

"The Government has made it clear publicly that if the Argentines tell us they are prepared to withdraw we shall enable them to do so with safety, dignity and despatch. So far we have had no positive response."

The PM said no reply had been received so far to the appeal by Major-General Jeremy Moore, the British commander, asking the Argentine commander, General Mario Menendez, to surrender Port Stanley and avoid further casualties.

Mrs Thatcher emphasised: "the United States is standing behind Britain in the action we are taking in the Falklands, and is giving us very substantial practical help—as we would expect from a staunch ally."

Mr Michael Foot, the Labour leader, repeatedly called on Mrs Thatcher to lay a further British resolution before the Security Council in an effort to prevent further bloodshed.

He thought it "most regrettable" that Britain had vetoed the Security Council resolution last Friday on the grounds that there was not a strong enough link between the ceasefire and an Argentine withdrawal.

But Mrs Thatcher, who was answering Prime Minister's questions and making a statement on the Versailles summit of Western leaders, told him that Britain had been trying to achieve a negotiated settlement for eight weeks. The only thing standing in the way was the Argentine refusal to withdraw without retaining some of the things won by invasion.

"That is totally and utterly insupportable," she declared emphatically.

She reminded Mr Foot that Britain had tried for a long time to achieve a settlement through Mr Alexander Haig, the U.S. Secretary of State, and through the Security Council.

Mr Foot asked if she was really saying that the Government intended to take no further steps at the UN and had no further interest in trying to achieve a ceasefire through diplomacy.

If that was so, he said, then Mrs Thatcher was going back on undertakings which Britain had previously given to the Security Council.

In common with most of the other countries at the Versailles summit, he believed that Britain should go back to the Security Council with another resolution and try to win full support for it.

Firmly, Mrs Thatcher told him that he had missed the point. If the Argentines agreed to withdraw then there could be peace very very quickly. It was not the British Government or the UN that was standing in the way—it was the Argentine junta.

If they would not withdraw or negotiate then they would have to withdraw through force.

She told Mr Sydney Bidwell (Labour, Southall) that if the will had been there the Argentines could have withdrawn by now. Even today they had only to contact the British commander in the field and withdrawal could be agreed before the battle for Port Stanley.

Britain, she argued, was right to veto the resolution in the Security Council last Friday. The trouble was that the resolution contained no unequivocal link between a ceasefire and a withdrawal. Such a link was absolutely vital for it to be acceptable to Britain.

● Dame Judith Hart, chairman of the Labour Party, yesterday called on the Government to investigate reports that Argentina is ready to agree to withdraw its troops in two weeks—Britain's main condition for a ceasefire.

Dame Judith said the U.S. Ambassador to the United Nations, Mrs Jean Kirkpatrick, had said the Argentine offer was made during the UN Security Council debate on a ceasefire, vetoed by Britain on the grounds that it set no deadline for an Argentine withdrawal.

Dame Judith delivered to Mr Francis Pym, Foreign Secretary, a petition signed by 26,500 people calling for a ceasefire.

Mrs Thatcher told MPs that the Government supported the UN Security Council's resolution requiring the territorial integrity of Lebanon to be respected.

"We equally condemn the aggressive activity and hostility which has taken place across the Israel-Lebanon border," she said.

It is important to condemn this kind of aggression and hostility wherever it occurs. It is equally important to uphold the right of self-determination, which, if one demands it for oneself, one must expect that one applies it to others."

There was an important link between the Falklands and the Palestinian people, she told MPs, and she wanted to see the territorial integrity of the Lebanon restored.

"We believe in self-determination as a principle. It is important for the Falklands and for the Palestinian people. We have never hesitated to accept that."

Mrs Thatcher also condemned the "utterly brutal attack" on the Israeli Ambassador in London last week, and praised the police for their handling of the incident.

"We will do everything to stamp out tyranny and terrorism wherever it occurs," she said.

Foot criticises Versailles summit 'platitudes'

BY JOHN HUNT,

THE CONTINUED need to reduce interest rates, inflation and budget deficits was heavily emphasised by Mrs Thatcher yesterday when she reported to the Commons on the economic outcome of the Versailles summit.

Her statement was greeted with great scepticism by Mr Michael Foot, the Labour leader, who saw it as an exchange of platitudes similar to those which had come from previous summits.

He wanted to know what specific steps Britain and the other countries had agreed to take in order to bring down the high levels of unemployment.

Mrs Thatcher said there had been solidarity amongst the national leaders on the need to tackle unemployment. But this had to depend on soundly based growth and in order to achieve that, inflation, interest rates and budget deficits had to be brought lower.

Mr Roy Jenkins (SDP Hillhead), who was formerly a Labour Chancellor of the Exchequer, asked whether she believed that the Americans would now take greater practical steps to intervene to give greater stability to the dollar exchange rate.

Mrs Thatcher told him it had been agreed that the only real way to achieve greater currency stability was to follow similar national policies for bringing down inflation. Fundamental disparities in exchange rates were caused by fundamental differences in economic policies.

The same point was raised by a Tory back bencher, and Mrs Thatcher said the U.S. leadership at the summit had been anxious to reduce the American deficit by cutting spending. It was agreed that this approach was the right one.

She said President Reagan was anxious to reduce expenditure not just for one year but for a succession of years "so that the market would have a clear signal that it was not just the U.S. inflation rate that was coming down but the deficit as well."

There was a sceptical reaction from Mr David Steel, the Liberal leader, who pointed out that since the previous economic summit unemployment in the developed countries had gone up steeply.

He wanted to know if there had been any discussion on the social effects of mass unemployment, and if there had been a determination to introduce urgent measures to reduce it.

The Prime Minister said there had been an awareness of the need to bring down unemployment. Once again, however, she stressed that the nations had agreed to do this by bringing down interest rates, inflation and budget deficits.

Tory unionists urge industrial relations reform

By John Lloyd, Labour Editor

CONSERVATIVE trade unionists are to press Mr Norman Tebbit, the Employment Secretary, for a commitment to introduce a Trade Union reform Bill, either in the next session of parliament or as part of the next Conservative manifesto.

Mr Tim Renton, Conservative MP for mid-Sussex and president of the Conservative Trade Unionists group, said last night that he would see Mr Tebbit on tomorrow to seek a commitment to a Bill introducing secret ballots on strikes and election of executives.

Earlier Mr Renton called in the Commons for a discussion document on reform of union rule books. He said "extreme decisions" were taken by unions without the use of ballots.

Mr David Waddington, Under-Secretary for employment, told the House that changes in trade union rules would be enforced by the Government if voluntary reforms were not brought in by the unions.

"We are giving them the chance to reform themselves voluntarily," he said. "We have no doubt at all of the need for greater union democracy—and we do not underestimate the need for more use of secret ballots."

He told a Labour questioner, who said that unions should be left in control of their own rule books: "I do not think many MPs would agree that all union rule books are so perfect that they safeguard the rights of all members—quite clearly they do not.

"Clearly there is a call for greater democracy within unions."

Healey attacks managers

MANAGEMENT IS the "Achilles heel" of the British economic system, Mr Denis Healey, Labour's deputy leader, said in London yesterday.

Addressing an Institute of Directors' meeting, Mr Healey said there was "no doubt that management in Britain is infinitely inferior" to competitors such as the Japanese.

He also painted a gloomy picture of the chances of an economic recovery in Britain.

He said inflation was just as likely to rise as fall, oil prices could go up, and that the recent Versailles economic conference had "muffed" every opportunity it could have taken.

"There is no doubt in my view that the Achilles heel of the British system is management," he said.

Tax advice for companies buying own shares

BY IVOR OWEN

AN INFORMAL clearance procedure is to be provided by the Board of Inland Revenue to assist applicants to take advantage of the tax relief provided in the Finance Bill for companies buying their own shares.

Mr Nicholas Ridley, Financial Secretary to the Treasury, last night told the Commons standing committee considering the Bill that one of the main aims would be to provide a practical interpretation of the requirement that to qualify for relief the transaction must be shown to be designed to benefit a trade carried on by the company or a subsidiary.

This safeguard is embodied in clause 46 of the Bill to eliminate any possibility of the relief leading to a bonanza for shareholders instead of removing fiscal obstacles to transactions necessary to benefit the trading life of the nation.

Mr Ridley announced that the clearance procedure would be available before the Finance Bill became law and full details would be disclosed by the Inland Revenue today.

The Minister stressed that the board would not be able to give a definitive answer in regard to any scheme until the Bill was on the Statute Book. But to assist companies or their advisers, the board would be prepared to express an informal opinion before the Bill becomes law.

Mr Ridley suggested that schemes designed to buy out a dissident shareholder after a board-room dispute were likely to satisfy the conditions laid down in the clause.

Sir William Clark (Con Croydon South), chairman of the Tory back bench finance committee, called for the clause to be extended to apply to any unquoted shares of a quoted company.

Mr Ridley undertook to examine that aspect further at the Report Stage of the Bill.

More members urged for Ulster Assembly

NORTHERN Ireland's Boundary Commission has suggested increasing the number of members due to sit in the Ulster Assembly proposed by Mr James Prior, Secretary of State for Northern Ireland.

The commission announced yesterday that it was recommending an 85-member assembly instead of the 78-seat house it proposed two months ago.

The change comes after a number of written complaints and submissions which followed the commission's original proposals.

Northern Ireland now has 12 Westminster parliamentary constituencies. At the next general election, the number is to be increased to 17 and the boundary commission now suggests that any new assembly should draw five members from each of the 17 constituencies.

Debate on the Committee Stage of Mr Prior's devolution plan continued in Parliament yesterday. Seven-and-a-half hours of debate have already been spent on the Committee Stage and 137 amendments have still to be considered.

There was a growing feeling among MPs that Mr Prior would have to curtail the debate if he wanted to press ahead with his plan for elections for an assembly in the autumn.

Fowler deplores stoppage by health service workers

THE GOVERNMENT yesterday continued to resist demands for increased pay offers to nurses and other health workers.

Mr Norman Fowler, the Social Services Secretary, condemned yesterday's 24-hour stoppage by health service workers, which, he said, was bound to have an adverse effect on patients. "We strongly deplore the action being taken," he told MPs.

He defended the offer of 6.4 per cent for nurses, 6 per cent for doctors and up to 5 per cent for other workers. They would lead to £320m extra spending on staff in England alone, he said.

The Minister agreed with Mrs Jill Knight (Con, Edgbaston), when she said that the long-term effects of the battle against inflation would be lost if those groups now on strike were granted their requests.

Mr Fowler said he would meet leaders of the Royal College of Nursing today and the nurses' Whitley Council members tomorrow to continue talks on a permanent pay arrangement.

Mr David Ennals (Norwich North), the former Labour Social Services Secretary, claimed there was "broader opposition to the Government's pay proposals in the NHS than ever before."

Tebbit denies compulsion

THE GOVERNMENT'S plans for a new youth training scheme do not involve an element of compulsion, Mr Norman Tebbit, the Employment Secretary, said yesterday. He promised a decision on the final shape of the plans "before too long."

Mr Tebbit told the Commons at Question Time that he would be having further talks with the chairman of the Manpower Services Commission.

Unease over broadcast questions

LIVE broadcasting of Question Time made the House of Commons sound like "a second-rate beer hall" and was "an unmitigated disaster," some MPs have told a Commons Committee.

The criticisms reflect what the first report from the Select Committee on Sound Broadcasting calls the "unease" of MPs at hearing themselves during the daily questioning of Ministers at the despatch box.

More than three-quarters of MPs who answered a special questionnaire were generally satisfied with the broadcasting of parliament, according to the all-party committee's report, which was published yesterday.

(But only 51 per cent thought the broadcasting of parliament gave a "fair" impression of the work of the Commons. Most of the critics said too much emphasis was put on Question Time.

Mr Ray Fletcher (Lab Ilkeston) summed up the feeling when he told the committee: "Question Time is rarely anything other than party knockabout stuff performed by amateurs. I do not judge the relative merits of Mrs Thatcher and Mr Foot by the quality of their wisecracks, however good they sound on the air."

Mrs Jill Knight (C Edgbaston) said: "Live broadcasting of Question Time was an unmitigated disaster and seriously damaged the standing of the House as a whole."

Mr Anthony Nelson (C Chichester) complained: "Although somewhat better now, the audio transmission still sounds like a second-rate beer ball sometimes."

The BBC said yesterday it was happy with the general outline of the report. It welcomed a recommendation that absolute privilege should be conferred on broadcasters in respect of the live broadcasting of defamatory words spoken in either House and another which said that broadcasters should be given immunity from proceedings for contempt of court in the case of contemptuous material broadcast live.

Commons Sketch

Reagan's technique dazzles both Houses

PRESIDENT REAGAN came to Westminster to improve his image and to reassure MPs that he was not the aging film actor of popular repute, but an international statesman dedicated to peace and freedom.

What he succeeded in doing was dazzling his audience with the use of the latest presidential support system and demonstrating that he retains the same homely outlook which took him from B movies, in which the world is sharply divided into good guys and bad buys, to the White House.

Mr Reagan, his face pinkly fresh from a morning spent riding with the Queen, spoke for 35 minutes in a steamy heat which, according to one dripping peer, turned the ornate Royal Gallery into London's "best Turkish bath."

At no point did he consult any notes, or give any sign of reading a speech, and at the end MPs were astonished by the apparent powers of retention of the septuagenarian President. Perhaps, they were saying, acting was good training for politics after all.

The truth, as MPs discovered afterwards, was that Mr Reagan was reading from a particularly cunning form of teleprompter. Projectors, hidden in the rostrum, projected his script onto to two lecterns, otherwise assumed to be bullet-proof screens, on either side of him.

Large and clear

To the audience, the screens looked transparent and the words could not be seen. It therefore looked as if the President was merely glancing from left to right to embrace different parts of the audience. From his side, however, the words were writ large and clear.

Afterwards MPs were intrigued and clearly envious. Indeed, immediately after the President sat down, there was almost as much interest in the method of delivery as in the contents of the speech.

Mr Reagan was the first U.S. President to address both Houses of Parliament and he was clearly very aware of both the honour, and the historic nature of the occasion. The significance of the fact that the venue had to be downgraded, following protests by Labour MPs, from Westminster Hall to the Royal Gallery was lost in the splendour of the occasion.

The Royal Gallery may be one down on Westminster Hall in the scale of honours the Commons can bestow, but in terms of ostentation there is nothing to beat it in the Palace of Westminster, with its 60 ft high painted ceilings, gilt-framed portraits, gilded statues and two vast canvases depicting past military victories in all their bloody splendour.

Mr and Mrs Reagan got all the pomp and ceremony the U.S. television audience could have wished for. A detachment of the Queen's Bodyguard of the Yeoman of the Guard were lined up for the President's arrival and he was met by the Lord Great Chamberlain, the Marquis of Cholmondely, who in turn introduced him to the Prime Minister. Mrs Thatcher was then left to take care of Nancy Reagan while the Lord Great Chamberlain took President Reagan into the Robing Room.

Bemused tourist

The President, still wearing his ordinary lounge suit, was then conducted into the gallery, where he was greeted by a fanfare of trumpets and introduced to the Lord Chancellor and the Speaker of the Commons. By the time he was seated on the dais between the two bewigged and pantalooned figures of the Speaker and the Lord Chancellor, he had the slightly bemused air of a tourist who had wandered on to the set for an MGM extravaganza.

The gallery was packed with MPs and peers, sweating profusely under the television arc lamps. The only hint of a draught came from some inadequate fans which, in the White House, would have been despatched to the basement long ago.

Sir Geoffrey Howe was in his usual Budget grey suit, while, Mr Michael Foot, seated in the front row, looked uncharacteristically well-pressed in blue serge. Other MPs, however, were more daring and wore crumpled light summer suits. In between them, House of Commons clerks dressed for the occasion in morning suits, ushered people to their feet, and on entering the vast room people almost expected to be asked whether they were a friend of the President's or the Prime Minister's.

The answer would have had to be "both." Mr Reagan's speech showed how close his ideology is to Mrs Thatcher's and how like her he sees the world in very black and white terms.

Elinor Goodman

Rail guards oppose union deal on flexible rostering

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRAIN GUARDS' representatives have voted overwhelmingly against the decision of their union, the National Union of Railwaymen, to accept the key productivity improvement of more flexible rostering.

While the decision of the sectional NUR guards and shunters conference was taken before the agreement between British Rail and the NUR on a special flexible rostering payment to guards of 50p per shift, it still indicates the considerable feeling against the proposal, particularly among activists.

The conference decision also goes against the pattern of the acceptance of flexible rostering by guards depots. The union and BR estimate that well over 80 per cent of all guards' depots have now agreed to the new 7-9-hour shifts.

BR officials are concerned at the guards' conference decision — which they feel will strengthen left-wing opposition on the NUR executive to flexible rostering, and will be used by the train drivers' union to back its opposition to the system.

The resolution, approved by 229 votes to 29 at the guards' conference, called on the NUR executive to renegotiate the deal, and urged delegates to the union's annual conference later this month in Plymouth to appeal against the executive's decision.

NUR officials feel that although the issue will be raised at Plymouth, they are confident that the union's policy on rostering will be upheld. While they stress that the sectional conference cannot formulate policy, they agree that the first signs of eventual policy changes often emerge there.

Significantly, Mr Sid Weighell, NUR general secretary, tried to halt the discussion of some subjects at the guards' conference—including flexible rostering, and one-man operation of trains—in a letter sent to the conference. He argued that these were matters of union policy and therefore should not be discussed.

Mr Weighell is also expected to be criticised at today's meeting of the NUR executive, where he is likely to be taken to task for apparently formulating union policy on the spot in his remarks suggesting the NUR would make a pay deal with BR separate from Aslef.

The executive is now unlikely to set any date for action over pay until negotiations are held with BR next Wednesday. However, it will consider a meeting with BR Engineering Ltd yesterday, in which the postponement of the closure of two railway workshops and of the rundown of a third was formally confirmed.

Telecom engineers accept 8% package

BY DAVID GOODHART, LABOUR STAFF

THE POST OFFICE Engineering Union has accepted a pay package with British Telecom which gives an 8 per cent rise all-round but includes a 5.25 per cent cut for new staff recruited into the lower technical and manual grades.

A large majority of the 700 delegates at the POEU's annual conference in Blackpool accepted the deal, which gives a pay rise of 8 per cent from July 1, for the union's 120,000 members now employed by BT.

The pay package was recommended by the union's national executive, and Mr Bryan Stanley, the general secretary, described it as the best yet in the public sector.

But a number of delegates expressed anger at the pay cuts for some grades, including apprentices, recruited after July 1. Newly recruited BT labourers, now among the best paid in the country, will face the highest cut of 14 per cent in present pay rates.

Mr Doug Sanderson, of the West Middlesex branch, said: "To accept this deal would be a violation of basic trade union principles."

Mr Derek Bourn, for the NEC, defended the deal on the grounds that it was preferable to differential pay rises for presently employed POEU members. He also said that BT's 2,200 labourers were the best paid unskilled manual workers in the country.

The pay deal of 6.75 per cent on basic and a minimum guaranteed productivity payment of 1.25 per cent from January 1, will give the top rate engineering structure £9,871 and the top rate technical officer £9,217 per annum.

Technical one grade will get £148 per week and 2A top grade £134 per week. But new recruits to the technician 2B lowest grade will get £107 per week after July 1, compared with £113 for present employees. New labourers will get £93, compared with £109.

In the second round of national executive elections, the left lost one seat on the NEC when Mr Phil Lloyd, a Militant supporter, was ousted in the occupational elections. The left-right balance is now 15-8 to the right.

Conference narrowly accepted the executive-backed pay deal for the POEU's 8,000 members in the post office. It is broadly the same as the 8 per cent BT deal, with similar pay cuts for new recruits.

Bank staff may block Saturday opening

By Brian Groom, Labour Staff

BARCLAYS BANK'S largest union, representing 40,000 of its 70,000 UK staff, is drawing up contingency plans to fight any reintroduction of Saturday opening this autumn.

Mr Eddie Gale, general secretary of the Barclays Group Staff Union, said these could be employed if members decide in a ballot, likely to be held shortly, that they want to "stand in the way of the proposal."

Any decision on measures would rest with the general committee, which will meet at the end of June or in July. Mr Gale would not disclose the options under consideration.

One possibility could be to "black" work on Fridays and Mondays in protest against Saturday opening. The bank believes staff who did this would be in breach of contract.

Barclays meets its unions today and tomorrow to explain the commercial reasons for its plan.

Barclays plans to open 400 branches, each staffed by five to 10 volunteers. BGSU's rival, the TUC-affiliated Banking, Insurance and Finance Union (Bifu) is urging its 15,000 Barclays members not to volunteer.

● Phoenix Insurance Company has averted a threat of industrial action with a pay and conditions package which raises salaries by 9 per cent, effective from the start of this month.

The 3,400 members of Bifu among the 4,000 staff had voted by a small majority for a work-to-rule over five issues not related to pay talks.

These were: the terms of part-timers; redundancy payments; an alleged increased stringency in awarding merit-based increments; a dispute over whether a house purchase scheme should be reviewed jointly; and improvements in the staff life assurance scheme.

BA cabin staff hit flights

BY BRIAN GROOM, LABOUR STAFF

BRITISH AIRWAYS yesterday cancelled 16 of its 23 intercontinental flights from London because of a dispute with cabin staff, who are claiming longer rest periods.

Managers were meeting leaders of the British Airline Stewards and Stewardesses Association last night in a bid to prevent further disruption today.

Cabin staff say they are suffering from jet lag stress because of a new shift system introduced on transatlantic flights in February as part of BA's survival plan. It involves two return Atlantic trips in one flight pattern, instead of one.

BA denies that this endangers health. In a letter to employees yesterday, it said alternative union proposals would mean recruiting 150 more staff and cost an extra £1m a year in hotel costs and allowances.

The airline offered a compromise which excluded Los Angeles and San Francisco from the shift system, but the association rejected it, demanding that Miami and Barbados be exempt as well.

Yesterday's disruption grew after BA suspended 13 cabin staff who refused to work on a flight to Barbados.

Miners join picketing nurses

Muscle-bound pit workers take to the streets in a flourish of socialist chivalry. **Ivo Dawnay** reports from Yorkshire.

YORKSHIRE was up in arms yesterday and it made a daunting sight. Like some bizarre scene from Grimms' Fairy Tales, burly muscle-bound miners all over the county flocked in their thousands to the distressed workers in the National Health Service in a flourish of righteous indignation, and socialist chivalry.

It remains to be seen whether the decision of the region's 40,000 miners to back the third one-day strike by NHS staff will force the Government's hand. But there is no doubt that the stoppage in the pits has proved a formidable shot in the arm for a pay campaign some thought only last week was on the critical list.

Yesterday, as the sun rose over the straddling red brick mining towns, it looked as if the miners had simply extended their week-long Whitsun holiday into a gala.

The management at Ledston Luck Pit, on the road to Castleford greeted the shutdown with dour resignation. "Oh, they're out all right," the manager confirmed. "But I doubt they'll be so pleased when they see the Nupe refuse men coming round to empty their dustbins—some'll wonder why they can't do their striking for themselves."

No such gloom hangs over the Pontefract General Infirmary, only a few miles down the road. A phalanx of white-starched shock troops basked in the sun outside an entrance decked with banners like a Thames pleasure boat. But dark rumours of scab clerical staff and management plots lurked amid the good-humoured banter. The scene of outrage ran only inches beneath the surface. One unfortunate reporter who asked whether the hospital was running on a skeleton staff was turned on by an elderly matron: "We'll all be a skeleton staff soon if we accept this wage offer," she said.

The equivocal mood at Pontefract was echoed at Wakefield where about 1,000 NHS workers marched to a rally in the shady cathedral square. The column snaked through grimy shopping streets, as hoarse cries of "Maggie out" mingled with a hasty reworking of a current advertising slogan —"we'll take more core of you, 12 per cent, 12 per cent"—some in quavering soprano.

But speakers who tried to lay the blame entirely at the door of the current government were rebuffed sharply when a rousing cheer followed a suggestion that the Labour Party had also failed in the past.

The question of other workers' solidarity was raised here too. Mr Henry Daley, an executive member of the Yorkshire miners region, delivered a stern rebuke to other unions which had failed to back the regional TUC's call for sympathy action. A health union official who told the crowd that picketing had brought the miners out was told later that more than 75 per cent of the pits had taken the decision without a picket in sight.

Several other unions, including Aslef train drivers, joined the picket line in Leeds. But in Yorkshire, the euphoria of the smaller towns was markedly less apparent.

A bitter row over "scab" workers has worsened the strike at both the city's main hospitals. Both Nupe and the Confederation of Health Service Employees are refusing any return to work until the management lays off all but emergency staff.

Mr Eric Hill, house governor at the General Infirmary, confirmed that the strike was having a notably more severe effect than that of 1979. One hundred of the hospital's 750 beds are now empty, the piles of dirty linen are becoming mountains and, most critical, the absence of operating and sterilisation staff has brought chaos to operating schedules.

Outside the infirmary, pickets acknowledge that the patients are taking the brunt, but they insist repeatedly that the responsibility lies with the Government.

"Politics must be taken out of the health service," an indignant Cohse worker said. "We must have justice."

It is this keen Yorkshire sense of justice and fair play that the Government has upset: and a long battle lies ahead if it wants unconditional surrender.

As one red-faced protester pointed out: "We can be stubborn too."

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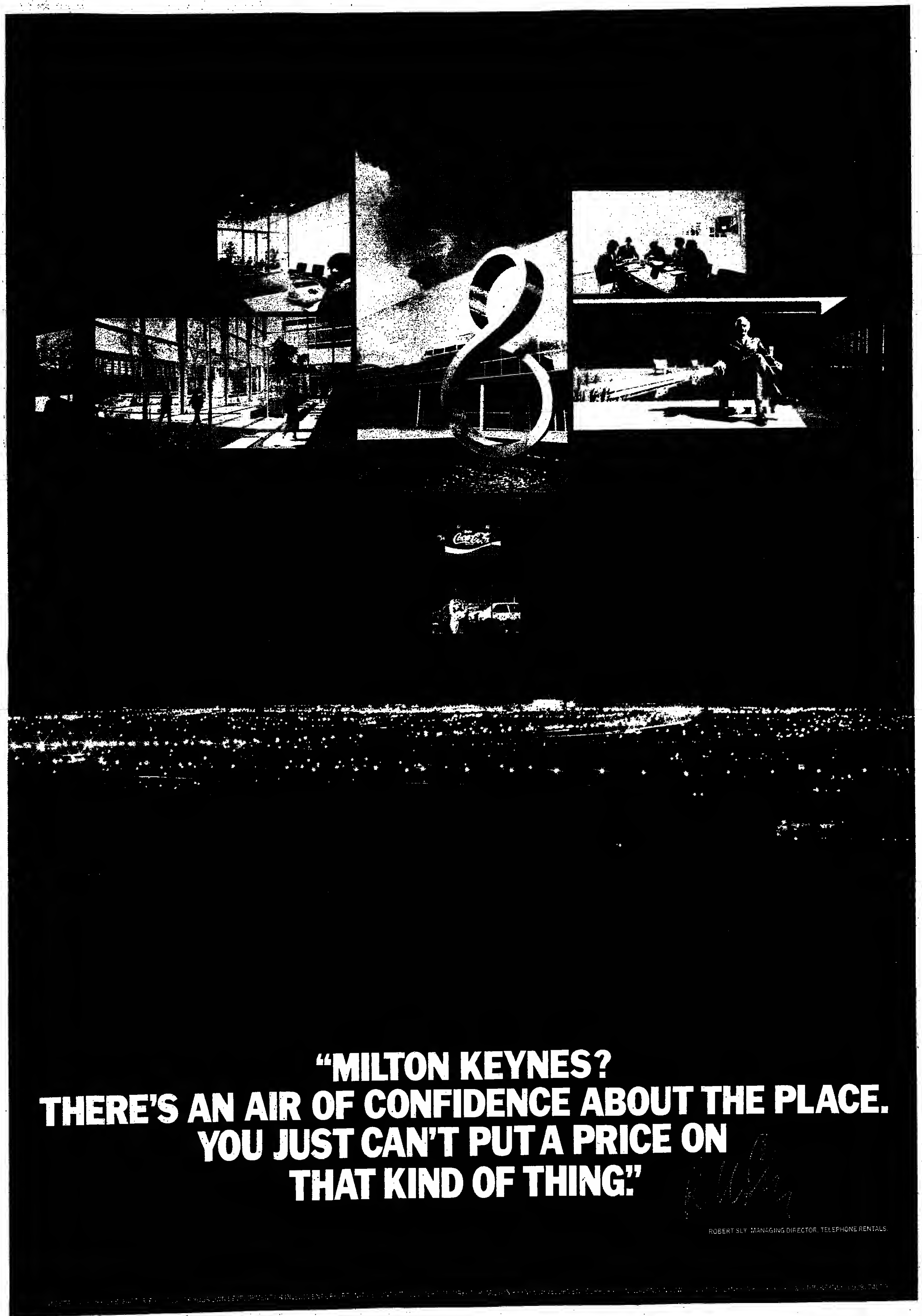


FT COMMERCIAL LAW REPORTS

Intention insufficient for legitimate last voyage

JADRANSKA SLOBODNA PLOVIDBA v GULF SHIPPING LINES LTD

Queen's Bench Division (Commercial Court): Mr Justice Staughton: May 25 1982

A TIME-CHARTERER who intends, after discharging cargo carried under the charterparty, to use the ship to carry other cargo on a voyage which he reasonably anticipates will be completed within the charter period, cannot assert that it is a legitimate last voyage unless he communicates his intention forthwith to the shipowner.

Mr Justice Staughton so held when giving judgment for the shipowners, Jadranska Slobodna Plovidba, on an appeal from an interim arbitration award, in their claim for damages against the charterers, Gulf Shipping Lines Ltd, for failure to redeliver the chartered vessel, the Matija Gubec, within the time limit specified in a charterparty on the New York Produce Exchange Form.

* * *

HIS LORDSHIP said that under a charterparty the owners agreed to let the Matija Gubec for one Far East voyage. The charterers had an option to take the vessel for 12 months, "45 days more or less," and a second option, to extend the first period by a further 12 months, "45 days more or less."

The charterers exercised both options. The vessel was delivered for service on December 8 1972, and the period of two years, 45 days, was thus due to expire on January 22 1975.

By mid-November 1974 it was the charterers' firm intention to use the vessel, after the Far East cargo had been discharged, to carry a cargo of cement to Lagos. It was reasonably expected that the vessel would complete discharge in Lagos on January 9 1975. That would have enabled the charterers to redeliver the vessel 12 or 14 days later, probably on January 22, the very last day of the charterparty period.

Those expectations failed to materialise. The vessel was delayed and was not redelivered until April 1. The charterers sought to resist the owners' claim for damages by reason of the combined effect of two well-established propositions.

The first was that, if a time charter provided for that, was apparently a fixed and definite period, there was nevertheless a certain flexibility which would permit redelivery a few days late. Thus a time charter "for a period of two years" was not broken if, for example, the vessel was redelivered after two years and five days.

The second proposition was that charterers were entitled to order a vessel on a last voyage under a time charter if they reasonably anticipated that the voyage would be completed within the charter period, either according to the literal wording of that period, or as extended by the effect of the first proposition.

Both those propositions were well-established. They gave flexibility and business efficacy to what would otherwise be an intolerably rigid contract.

The arbitrator found that by early December the charterers were committed to lifting the cement; that on December 7 the charterers ordered the owners to perform the voyage to Lagos; and that the voyage, under foreseeable circumstances at the start of loading on December 10, was not a legitimate voyage, but that by then the ship was already committed to lifting the cement. He evidently concluded that the date at which the legitimacy of the last voyage must be tested was December 10, when loading began. He decided the issue in favour of the owners.

Two questions arose in the present argument. First, when a charterparty provided for a period such as two years, "45 days more or less," was any additional tolerance allowed? Or was the 45 days itself the tolerance to be applied?

It was well-settled that the tolerance which the law implied might be ousted by appropriate wording. It was also established by binding authority that where the parties provided their own tolerance, as by the words "45 days more or less in charterers' option," that ousted the tolerance implied by law. (See: *the Dione* [1975] 1 *Lloyd's Rep* 115, *the Aspa Maria* [1976] 2 *Lloyd's Rep* 643, and *the Mareva A/S* [1977] 1 *Lloyd's Rep* 368).

His Lordship considered that he was bound by decisions of higher authority as to whether a given form of words in a commonly used form of contract was sufficient to exclude an implication which the law would otherwise make. Mr Justice Kerr was of the same opinion in *the Mareva*.

When shipowners or charterers or their broker, or even their lawyers, needed to decide rapidly whether a prospective voyage would or would not be within the limits of time permitted by a charterparty, it could well be understood that they would wish to have those limits clearly defined. They already had to hazard an estimate of how long the prospective voyage would take, without also having to guess what an arbitrator or judge would assess as a reasonable tolerance, at some distant date. It should not be made too difficult for them to avoid the second of these perils by the terms of their contract.

In the result, the latest terminal date of the charterparty was January 22 1975, without any additional tolerance.

The second question was, at what date did one judge the legitimacy of the last voyage? Should it be tested when the charterers formed a firm intention to perform it (mid-November), or when they were committed to lifting the cement (early December), or when they ordered the owners to perform the voyage (December 7), or when they started loading the cargo (December 10)?

If the charterers could not succeed by virtue of their firm intention in mid-November, they did nothing which further tied them to the cement voyage thereafter.

The formation of a firm intention by the charterers as to the use of the vessel was not by itself sufficient to establish a legitimate last voyage. The reason was, again, business convenience.

A shipowner at some later date would be ordered by the charterer on the voyage in question. By that date the voyage might appear likely to exceed the charterparty time limit together with an express or implied tolerance. When the shipowner protested, the charterer would tell him that a firm intention to perform the last voyage was formed some days, weeks or months ago.

The shipowner would have no readily available means of verifying that assertion. On the other hand, if the charterer really did form a firm intention, there was nothing whatever to stop him communicating that intention forthwith to the shipowner in the shape of an order. If he chose to keep it secret, then he did so at his own risk.

A firm intention on the part of the charterer was by itself insufficient to establish the date of the legitimacy of a last voyage.

The charterparty expired on January 22 and the charterers were liable to the owners in damages.

For the owners: Mark Havelock-Allen (Clyde & Co). For the charterers: V. V. Veeder (Lloyd, Denby Neal).

By Rachel Davies
Barrister

GARDENS TODAY

The hardy, dependable cistus

BY ROBIN LANE FOX

LOOKING ROUND gardens this June, I have my eye on cuttings for the future. By mid July, my season for this pleasant task will reach its peak.

Out-of-flower good parents are easy to miss, so I am marking the best varieties in my mind. I am sure to forget them in the deluge of roses, mock orange blossom and campanulas which distract us in a month's time.

At the lower levels, beneath sunny walls or in the forward rose of a border, the winter has left some serious losses. I have been filling up with violas, pink hardy geraniums and boxes of tobacco plants. No doubt they will look as good as many things which I lost, but I will continue to miss my older cistuses and as their season is now beginning I am watching others' plants very closely and planning to take cuttings from the best.

The cistus is that shrub of the Mediterranean maquis whose leaves are too aromatic for the diet of goats and whose saucer shaped flowers come in shades of pink or white, marked with attractive blotches. On the long view it is nature's sad retort to man's assault on her former beauty.

By clearing off her tall trees and grazing her soft shrubs with flocks, man made the Mediterranean into a dry sunny desert which the cistus invaded and appreciated. For once, nature's loss was greater than ours, for the cistus's flower scent and shape made up for some of the damage to woods and mountains. Once, Sicily and Cyprus were thick with trees, now they are thick with cistus and some of the best are among my favourite garden shrubs.

The winter confirmed conventional views of their hardiness. The toughest clearly is the white flowered Laurifolius which survived two severe snowstorms and a night frost of 25 degrees on an exposed west corner of my house. This is an upright citrus, not the boldest but the most reliable. I would bet on it in cold gardens and like its freedom of flower and its thin shape to a height of 6 ft.

However, it cannot compare with the glorious tall form called Cyprius. This is a shrub with white flowers blotched with chocolate brown in their centres. It grows quickly, spreads to a height of 5ft and a width of five or six. I lost my old plant, but retained a young one which was growing in the centre of an unprotected border.

The leaves have the resinous tang of a delicious cistus and although they look rather drab in winter, their shiny olive-green effect is pleasant in the growing season. I would want this rewarding shrub in the middle of any new sunny border, especially on a lime soil. The flowers fall quickly after opening, but they appear so freely that the shrub persists in colour for several weeks.

Its only rival among the pinks is the lovely Purpureus. This is not purple, but a rich sunset pink marked with a fine dark eye. It reaches a height just below Cyprius and pairs prettily with its taller white relation.

I also intend to find a named form called Betty Taudevin whose brighter colour and tougher nature impressed me at Wisley last summer.

The dullest sister, as often, is among the most widely bought. Called Silver Link it is a wretched disappointment. I was talked into buying one and the least of its vices was its sudden death in the frost of 1978. The bush is twiggy, the leaves are small and a felted green-grey, while the flowers are small and a meagre pink.

Do not bother with this one, nor with the low-growing Corbariensis whose small white flowers are marked with a yellow stain at their base. It is unexciting and the winter killed it off so its hardiness is now open to doubt.

Instead I recommend three of my favourites. Under tall trees in Wisley gardens I was surprised to find a good spread of the big white flowered cistus called Palinhae. It reaches 2 ft. or more, and is too dense for weeds to grow through it. The flowers are memorably large and fresh so the plant's slight tenderness deserves to be overlooked.

At the same height the beautiful spreading form of Lusitanicus is more tender but even more desirable. Its white flowers have deep crimson eyes in their centre and appear on wide mounds of spreading branches.

Besides a house or on a terrace I would choose this long flowering shrub wherever I could shelter it. There is an aromatic hybrid called Loretii which has a similar contrast of colours but it grows into a bush not a carpet. In botanical collections, it seems to me to have the most gum on its leaf and the most strongest scent among its white and crimson flowers.

There are many others but none so good as these. They will grow in any sunny site and the poorer the soil, the tougher their performance in a cold winter. Give a cistus a dry stony site and you will please it. By late July, I'll be setting off with polythene bags to harvest my chosen cuttings.

If your older plants have been partly killed, cut their back now to the first signs of green on a stem. Remember, however, that they will never sprout again from brown wood. Otherwise, take young cuttings from the base and root them easily in the humid shelter of a polythene bag or cover for a seed box.

Cistuses grow very fast and are a dependable gamble. For little cost and trouble, you can raise a dozen for yourselves.

RACING

BY DOMINIC WIGAN

GOOD CLASS fillies' races are the feature today, with Newbury's Twyford Stakes being followed later in the evening by that always intriguing two-year-old race at Beverley, the Hilary Needler Trophy.

Both races could well develop into matches near home for Swift Wing—now thought to be back to her best — and More Kisses should have the pace to shake off rivals in the closing stages of the Twyford. The hat-trick seeking Miss Realm and Henry's Secret ought not to be troubled by Tysandi at Beverley.

Henry Candy, whose long wait for a first English classic victory ended on Saturday, must be hopeful that in More Kisses he has another filly to follow Time Charter's example in the major middle-distance event.

On her only appearance to date More Kisses left no-one in doubt at Salisbury recently that she is capable of running with distinction on the grade one courses when forging to victory in a division of the Wincanton Maiden Stakes.

If, as seems likely, More Kisses has come on a few pounds as a result of that first effort, she could well have the measure of Swift Wing, a tough and consistent two-year-old who, like most of the Arundel horses, was clearly out of sorts in the spring.

Half-an-hour before the Twyford, anything but a win for Mr Abdulla's Fine Edge in the Berkshire Stakes will come as a surprise to many.

Miss Realm, a four-lengths winner at a recent Ripon evening meeting after scraping home at York, seems sure to make a bold bid to keep the Hilary Needler Trophy in Yorkshire. However, I doubt if the Easterby filly will be quite good enough to take back Henry's Secret, who was handed a Windsor prize on the plate when Lester Piggott looked over the wrong shoulder on Bright Crocus.

NEWBURY
2.00—Judy Conkers
2.30—Kiva
3.00—Town Flier
3.30—Fine Edge**
4.00—More Kisses
4.30—Sandalay

YARMOUTH
2.45—Miss Thames
3.45—His Turn*

BEVERLEY
7.10—Karen's Star
7.35—Henry's Secret***
8.35—B Jaski

TELEVISION

Chris Dunkley: Tonight's Choice

These of us who dislike soccer but have some residual enthusiasm for other sports, despite the tedious and despicable antics which too much money too often produces nowadays, should be relishing every morsel available in these past few days before the boredom of the World Cup envelops all. Sportsnight on BBC 1 brings the first big outdoor athletics match of the season from Crystal Palace with England competing against the USA, Australia and Sweden. They also promise a preview of Gerry Cooney's fight for the heavyweight championship of the world against Larry Holmes in Las Vegas on Friday. That will be televised by BBC 1 on Saturday night.

Tonight's ITV programme competing with Sportsnight (which as usual is presented by Harry Carpenter) surely constitutes a unique clash: it is a play about boxing written by Peter Cheevers and Ian La Frenais called Harry Carpenter Never Said It Was Like This. It is not unknown for actors to clash with themselves, but surely no sports commentator ever before dominated Britain's two most popular channels simultaneously.

Earlier BBC 2 repeats The Englishwoman And The Horse, a splendid documentary made by Edward Mirzeoff featuring not so much the predictable horsey females of the county set (though they appear) but much more bizarre enthusiasts.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 10.00 You And Me. 10.15-11.37 For Schools, Colleges. 1.00 pm News After Noon. 1.30-1.45 Over The Moon. 2.01-3.00 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Scooby Doo, Where Are You? 4.40 Oscar, Kina and the Laser. 5.05 John Craven's Newsround. 5.10 Wildtrack.
5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.50 Number One: Pat Jennings recalls his football life.
7.25 The Wednesday Film: "The Valley of Gwangi," starring James Franciscus
9.00 News.
9.25 Sportsnight: Athletics from Crystal Palace—England v U.S. v Australia v Sweden; Boxing (preview of Larry Holmes v Gerry Cooney); plus report from the World Show Jumping Championships in Dublin.
10.38 News Headlines.
10.40 The Tony Awards 1982 for achievement in the American theatre, Broadway's Imperial Theatre.

BBC 2

6.40-7.55 am Open University.
10.05 Gharbar.
10.30-10.55 Play School.
12.30-1.20 pm Open University.
5.10 The Study of Drawings.
5.35 Charlie Brown.
6.00 The Great Cover-Up.
6.40 The Ascent of Man.
7.30 News Summary.
7.35 Hooked.
8.05 The Englishwoman and the Horse.
9.00 Butterflies.
9.30 Frost in May.
11.00-11.50 Newsnight.

LONDON

9.30 am Schools programmes. 11.54 Dick Tracy Cartoons. 12.00 Windfalls. 12.10 pm Rainbow. 12.30 The Communicators. 1.00 News with Peter Sissons, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 The Six Million Dollar Man. 3.45 Three Little Words. 4.15 Yosemite Sam. 4.20 Storybook International. 4.45 Andy Robson. 5.15 Mr Merlin.
5.45 News.
6.00 Thames News, with Andrew Gardner and Rita Carter.
6.25 Help: Community action with Viv Taylor Gee.
6.35 Crossroads.
7.00 Where There's Life.
7.30 Coronation Street.
8.00 The Benny Hill Show with Henry McGee, Bob Todd, Jack Wright and Hill's Angels.
9.00 Harry Carpenter Never Said It was Like This.
10.00 News.
10.45 Middle East—The Longest War.
11.45 Kaz.
12.40 am Close: Sit Up and Listen with Pam Gems.
† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA
1.20 pm Anglia News. 2.45 The Last of Summer. 5.15 Jangles. 6.00 About Anglia. 11.45 Clive James and the Calendar Girls. 12.45 am Personal View.

BORDER
1.20 pm Border News. 2.45 Island of the Welcomes. 5.15 Survival. 6.00 Lookaround Wednesday. 11.45 Border News Summary.

CENTRAL
1.20 pm Central News. 2.45 The Body Human. 5.15 Diff'rent Strokes. 6.00 Crossroads. 6.25 Central News. 11.45 Ropley.

CHANNEL
1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.45 The Last of Summer. 5.20 Crossroads. 6.00 Channel Report. 6.30 Bailey's Bird. 10.43 Channel Late News. 11.45 Danger UXB. 12.40 am News and Weather in French followed by Epilogue.

GRAMPIAN
9.25 am First Thing. 1.20 pm North News. 2.45 Trapper John. 5.15 Jangles. 6.00 North Tonight. 11.45 Seachd Laithean. 12.15 am North Headlines.

GRANADA
11.45 am Wattoo, Wattoo. 1.20 pm Granada Reports. 1.30 Exchange Flags. 2.00 Crown Court. 2.30 Putting on the Style. 2.45 The Lena Martell Show. 3.15 Arthur C. Clarke's Mysterious World. 4.45 Andy Robson. 5.15 Mr Merlin. 6.00 This is your Right. 6.05 Crossroads. 6.30 Granada Reports. 11.45 City of Angels.

HTV
1.20 pm HTV News. 2.45 Fantasy Island. 4.15 Ask Oscar! 5.15 Private Benjamin. 6.00 HTV News. 10.43 HTV News. 11.45 Ladies' Man.

HTV Cymru/Wales. As HTV West except:—12.00-12.10 pm Ty Bach Twt. 4.15 Here's Boomer. 4.45 Llygad Barcud. 8.00 Y Dydd. 8.15 Report Wales.

SCOTTISH
12.30 pm Survival. 1.20 Scottish News. 2.45 My Father's House. 5.10 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today followed by Action Line. 6.30 Down to Earth. 11.45 Late Call. 11.50 Pro-Celebrity Snooker.

TSW
1.20 pm TSW News Headlines. 2.45 The Last of Summer. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 Tele Views. 6.40 Sportsweek. 10.47 TSW Late News. 11.45 Danger UXB. 12.40 am Postscript. 12.45 South West Weather.

TVS
1.20 pm TVS News. 2.45 Trapper John. 5.15 Watch This Space . . . Good News of the Week. 6.30 Coast to Coast. 6.00 Coast to Coast (continued). 11.45 City of Angels. 12.40 am Company.

TYNE TEES
9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs Are. 2.45 The Love Boat. 5.15 Private Benjamin. 6.00 North East News. 6.02 Crossroads. 4.25 Northern Life. 10.45 North East News. 11.45 Pavilion Folk. 12.15 am The Sound of Silence.

ULSTER
1.20 pm Lunchtime. 2.45 Young Ramsay. 4.13 Ulster News. 5.15 Gambit. 6.00 Good Evening Ulster. 10.44 Ulster Weather. 11.45 News at Bedtime.

YORKSHIRE
11.55 am The Undersea Adventures of Captain Nemo. 1.20 pm Calendar News. 2.45 Charlie's Angels. 5.15 Private Benjamin. 6.00 Calendar (Emley Moor and Belmont editions). 11.45 The Living Legends of Jazz.

RADIO

(s) Stereo broadcast
(when broadcast on vhf)

RADIO 1
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Paul Burnett. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00-12.00 John Peel (s).

RADIO 2
5.00 am Steve Jones (s). 7.30 Terry Wogan (s). 10.00 Jimmy Young (s). 12.00 Gloria Hunniford (s). 2.00 Ed Stewart (s). 4.00 David Hamilton (s). 5.45 News, Sport. 8.00 John Dunn (s). 8.00 Alan Dell with Dance Band Days. 8.30 Among Your Souvenirs (s). 9.15 Frank Chacksfield (s). 9.55 Sports Desk. 10.00 Tom Mennard tells Local Tales. 10.15 The Cambridge Buskers. 10.30 Hubert Gregg says Thanks for the Memory. 11.15 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (s). 2.00-5.00 You and the Night and the Music (s).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (s). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composer: Vivaldi (s). 10.00 Perlman/Fleming/Roberts Trio (s). 11.25 BBC Northern Symphony Orchestra (s). 1.00 pm News. 1.05 Concert Hall (s). 2.00 Music Weekly (s). 2.50 Elgar (s). 4.00 Choral Evensong (s). 4.55 News. 5.00 Mainly for Pleasure (s). 6.30 Copenhagen Boys' Choir (s). 7.00 A Spiteful Fellow (short story). 7.30 Chicago Symphony Orchestra concert, part 1: Brahms orch. Schoenberg (s). 8.15 Six Continents. 8.35 Chicago Symphony Orchestra part 2: Johann Strauss, son (s). 9.10 A Mozart Pilgrimage (s). 9.30 Violin and Piano recital, part 1 (s). 10.15 Words. 10.20 Violin and Piano part 2 (s). 11.00 Adill Busch conducts Bach.

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.33 Yesterday in Parliament. 8.57 Weather, travel. 9.00 News. 9.05 Midweek. Henry Kelly (s). 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Maximum Credible Accident (s). 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.47 Time for Verse. 4.00 News. 4.02 Wolberswick. 4.10 File on 4. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 My Music (s). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 A World in Common. 8.15 Choral Music from Cambridge (s). 8.45 More than a Game? 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Men of Property. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BASE LENDING RATES

A.B.N. Bank	13 %	Robert Fraser	14 %
Allied Irish Bank	13 %	Grindlays Bank	‡12½%
American Express Bk.	13 %	■ Guinness Mahon	12½%
Amro Bank	13 %	■ Hambros Bank	12½%
Henry Ansbacher	12½%	Heritage & Gen. Trust	13 %
Arbuthnot Latham	13 %	■ Hill Samuel	§13 %
Associates Cap. Corp.	13 %	C. Hoare & Co.	†13 %
Banco de Bilbao	13 %	Hongkong & Shanghai	12½%
BCCI	13 %	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	13 %	Knowsley & Co. Ltd.	13 %
Bank of Ireland	13 %	Lloyds Bank	12½%
Bank Leumi (UK) plc	13 %	Mallinhall Limited	13 %
Bank of Cyprus	13 %	Edward Manson & Co.	14 %
Bank Street Sec. Ltd.	14 %	Midland Bank	12½%
Bank of N.S.W.	13 %	■ Samuel Montagu	12½%
Banque Belge Ltd.	13 %	■ Morgan Grenfell	12½%
Banque du Rhone et de la Tamise S.A.	13 %	National Westminster	12½%
Barclays Bank	13 %	Norwich General Trust	12½%
Beneficial Trust Ltd.	14 %	P. S. Refson & Co.	13 %
Bremar Holdings Ltd.	14 %	Roxburghe Guarantee	13½%
Brit. Bank of Mid. East	12½%	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	13 %
Canada Perm't Trust	13½%	Standard Chartered	‖13 %
Castle Court Trust Ltd.	13 %	Trade Dev. Bank	13 %
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	12½%
Cayzer Ltd.	13 %	TCB Ltd.	13 %
Cedar Holdings	13 %	United Bank of Kuwait	12½%
■ Charterhouse Japhet	13 %	Whiteaway Laidlaw	13 %
Choulartons	13 %	Williams & Glyn's	12½%
Citibank Savings	¶12½%	Wintrust Secs. Ltd.	13 %
Clydesdale Bank	12½%	Yorkshire Bank	12½%
C. E. Coates	14 %		
Comm Bk of Near East	13 %		
Consolidated Credits	13 %		
Co-operative Bank	*12½%		
Corinthian Secs.	12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
Eagil Trust	12½%		
E.T. Trust	13 %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.6%. 1-month 9.75%. Short term £8,000/12 month 12.1%.
† 7-day deposits on sums of: under £10,000 10%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 9½%.
‖ 21-day deposits over £1,000 11¼%.
§ Demand deposits 10¼%.
¶ Mortgage base rate.

TECHNOLOGY

EDITED BY ALAN CANE

Hazel Duffy reports on a solution to urban transport

Travel by sophisticated bus

SINGAPORE IS the latest in a growing list of cities which has opted for the construction of expensive underground transport systems as the preferred solution to its urban transport problems.

Daimler-Benz, the West German bus and truck manufacturer, says that many cities could solve their problems by the use of a sophisticated bus system rather than opting for the more costly and disruptive construction of underground and rapid transit systems, which, when in operation, require a high level of subsidy.

The Daimler-Benz solution has been registered under the name of O-Bahn. It is based on the flexible usage of the basic bus, which can be adapted for use in many different ways both underground, on raised sections, on guided tracks, as a high-capacity multiple unit vehicle, and even as a completely automated driverless system. The system can be run at speeds up to 100 kph.

Daimler-Benz started work on the O-Bahn about 15 years ago. It has done most of the development work using its own resources at an estimated cost of DM 25-30m, but has also received a Federal Government grant for development of the guided track system.

The company also works with AEG-Telefunken on the development of electric drive equipment, with SEL (part of ITT) on computer systems of control, and with Ed Zublin on the construction of tracks.

The best view of the system's flexibility is to be seen at the company's test facilities at Rastatt, close to Baden-Baden in south west Germany.

But the first application of the O-Bahn is a 1.3 km trackway in Essen, completed in September 1980 on an old tramway track, the vehicle fleet consisting of 21 articulated buses and three regular service buses which operate by a mechanically-controlled guidance system.

The next stage at Essen, on which work has started, will provide 2.5 km of dual operation trackway early 1983, and the third stage will be a mixed bus-streetcar operation in a 2.3 km long tunnel.

The Essen experiment is being followed up in Regensburg, where a 1600m long tunnel under the old city is planned; but more important, in prestige terms, is the decision by Adelaide in Australia to opt for the O-Bahn to link the north-eastern suburbs with the city centre.

Plus point

Adelaide chose the O-Bahn as against a light rail system primarily on grounds of cost; although more expensive than a conventional bus system, Daimler-Benz says the O-Bahn was preferable on a number of considerations such as maximum safety at speeds of 100 km per hour, low noise emission, comfort, etc.

The manufacturers claim that the biggest plus point of the O-Bahn is the opportunity it offers of starting with a limited system which can be extended to a much more sophisticated system at a later date.

Guided tracks, which make more efficient use of the amount of road space in busy city centres, need be laid only where they are needed. Where the volume of traffic lessens and the road space increases, the bus can revert to being a conventional bus.

The most exciting prospect held out by the O-Bahn is the development of the operational control system to fully automatic operation. This is already being done at the test centre. The vehicles are controlled and monitored by a control centre for speed and safe distance between vehicles.

Communication between the control centre and the vehicles is by means of a line wire, which will determine the position of the vehicle accurate to 25m. Fine positioning is achieved by counting the wheel revolutions.

A computer system in the vehicle compares the nominal and actual speeds, transmitting signals to the actuating links of the brake system and the engine.

Daimler-Benz is extending its research work in the guidance of public transport vehicles into private transport, although the benefits of efficiency gained by automated public transport will be less apparent in private transport, the main advantages being the support it will offer to the driver and greater safety.

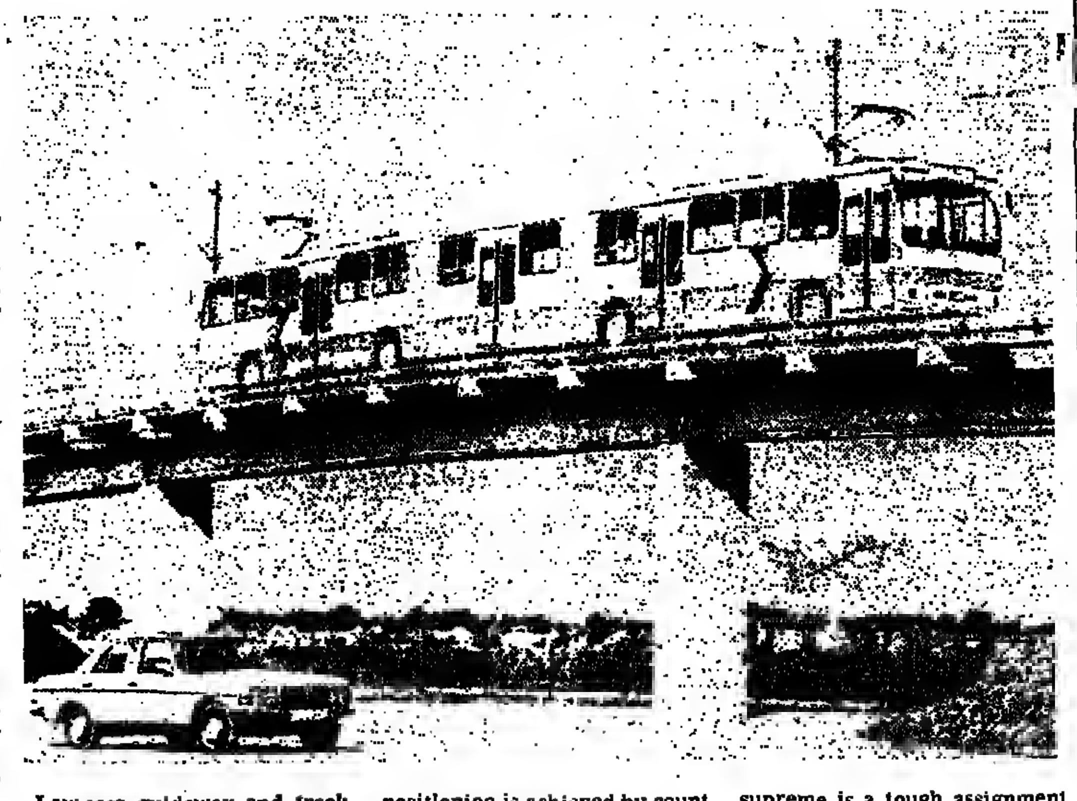
Daimler-Benz executives admit that selling the O-Bahn in a world where prestige underground projects reign supreme is a tough assignment. For the company, acceptance of the O-Bahn—which, in spite of the Essen pilot project, is more likely to be outside West Germany—would provide a ready market for its buses.

The company has failed to convince the Bangkok authorities that an expanded bus system could solve the problems peculiar to congested Third World cities.

The Adelaide achievement, however, could prove to be the turning point for an enterprising system which promises greater comfort to the long-suffering bus passenger as well as being less onerous on the city's coffers than the prestige new underground projects.

O-Bahn Components

Vehicle	single	single	single or vehicle train
Drive system	Internal combustion engine ●	electric motor ●	other
	combinations (hybrid)		
Roadway	public roads ●	separate lane	
	at ground level ●	tunnelled ●	elevated
Track guidance	manual ● mechanical electronic	track guidance ●	fixed guidance system
	combinations		
Command and control system	radio ●	automatic information system management ●	fully automatic operation
Operation	regular service with timetable ●	demand mode	



Low-cost guideway and track guidance elements are an essential part of the O-Bahn system and this also applies to bridges of prefabricated materials used to beat bottlenecks in urban traffic.

UK enzyme for the genetic engineer

BY ALAN CANE

A BRITISH biochemicals company claims to be able to supply, for the first time in quantity, one of the most important new tools available to the genetic engineer.

The tool is a new enzyme, one of the proteins which initiates and catalyses chemical reactions in living cells. This particular enzyme is important because it is able to snip out pieces of the genetic material of the cell in a very specific manner.

Many enzymes (they are termed restriction endonucleases) are able to snip out pieces of genetic material (the count is over 350 and rising) but the new enzyme is alone in recognising and cutting between two of the four bases which are combined in permutations and combinations in the genetic material.

Why should that be important? Because genetic engineering is at such an early stage in its development that "libraries" of genes which give rise to specific biochemicals are still being created. The new enzyme, Aha III, will help in that task.

It has been isolated in quantity by P and S Biochemicals in Liverpool, a small company linked with Liverpool University.

Dr Peter Dean said Aha III was first isolated by Dr Nigel Brown of Bristol University, but that it proved difficult to prepare in quantity.

It is extracted from a blue-green alga which lives in the salt lakes of the Sinai Desert.

Dr Dean's first job was to grow the algae in bulk, which he achieved by mimicking its living environment very accurately.

Isolation was achieved using affinity chromatography, a technique which Dr Dean has perfected over many years. It involves finding a material to which the desired enzyme has an affinity, and so can be used to separate the enzyme from all other protein in the pool—the biological analogy to magnetic separation of metals.

"What we are trying to do," Dr Dean said, "is to turn back some of the £2m that the UK spends importing high technology biochemicals each year.

"We can isolate Aha III in any amount now, but it will still be expensive — perhaps £1.50 a unit."

The market for Aha III could be worth £50,000 a year.

Challenger wins its heat tiles in half the time of Columbia

LOCKHEED Missiles and Space Company (LMSC) has now completed the heat resistant tiles for Challenger, the second of NASA's shuttle orbiter fleet and more than half have been attached to the space vehicle.

Lockheed is providing 24,400 tiles and supplying material to Rockwell International which will manufacture the remaining 5,600.

Columbia, the first space shuttle and Challenger will have used tiles to protect them from the frictional heat of re-entry to atmosphere comprised of pure silica, commonly known as LI-900 and LI-2200.

But for subsequent shuttles Lockheed is now producing a different protective material This is known as FRCI-12 (a fibrous refractory composite insulation—the 12 means 12 lb per cubic foot).

The material consists of 80 per cent pure silica fibre and 20 per cent of a fibre known as Nextel. This contains a small amount of boron which welds the two substances into a rigid structure during high-temperature sintering.

Bud Alue, Thermal Protection Systems Manager of Lockheed Corporation, said that the lessons learned since the first Columbia flight had resulted in the Corporation now being able to manufacture tiles in about half the time required earlier.

Columbia has about 31,000 protective tiles of which just over 300 needed replacement after the first flight.

MAX COMMANDER

Surprise computer speaker

JACK MELCHIOR, the well-known Californian venture capitalist, will be a surprise guest speaker at a conference on "First Time Financing" sponsored next week by Barclays Bank and Computer Weekly.

The conference, aimed chiefly at would-be entrepreneurs in the computer business, is designed to explain how money can be raised to support new ventures.

It will be chaired by Sir Frederick Wood, chairman of the British Technology Group and other speakers include entrepreneurs Eddie Bleasdale and Ron Weedon. Professor Frank Sumner of Manchester University will lead the discussion. Kensington Close Hotel, June 17 — more details on 01-643 8040.

Dilution of methane

THE National Coal Board has approved a de-gassing unit for the dilution of explosive methane in mines from Tool and Steel Products of Sheffield. The unit was developed by the company in co-operation with the Welsh Area Ventilation Office of the NCB. Tool and Steel is a member of the Wincobank Engineering Group (0742 51004).

Heavy handler

ROLLMOVER, a handling device for heavy goods such as paper and cable reels and coiled sheet able to deal with loads up to 1816kg has been introduced by Aero-Go. It is available in three models to take various diameter materials. More on 0892 870100.

هكذا من الأصل

Why Eaton's drivers cut the grass

Nick Garnett on the US group's attempts to remove British demarcation barriers

ONE OF Eaton Corporation's senior managers was strolling across the front of the company's truck transmission plant in Manchester, when he came across one of the site's heavy goods vehicle drivers. The driver informed him that since be did not have a "drop" to make that day be was going to help cut the grass around the buildings.

That kind of labour flexibility, which sends shudders through traditional trade unionists, reflects a staggering change over the past few years in the working environment at the Manchester site—one of two UK plants of the transmission division of Eaton Limited, the British holding company of the U.S. corporation. The other plant at Basingstoke bas another product range, a different labour relations and investment background and has not been involved in the type of change taking place in Manchester.

What bas happened at the Manchester plant marks it out in two ways from others in the country that have been caught up in the drive to improve prodoctivity.

Changes in working practices are much more fundamental than have been achieved at most other companies. More important, managers at the plant view the changes in the way people now work not as a goal in themselves but as a kind of staging post towards a time when traditional union-management relations will have been replaced by something quite different. It is a programme, though, which contains potential difficulties.

Bob Hackett, the assembly works manager, believes there will come a time when wages at the Manchester site will no longer be bargained over in the normal sense, and when the manual workforce will not be required to clock on. Whet makes that remark unusual is that Hackett was a convenor for the Amalgamated Union of Engineering Workers at Eaton when the working atmosphere was far removed from what it is now.

Because Eaton managers like using words such as "trust" and "behaviour," "attitude change" and "job enjoyment," they tend to be sensitive about the hard factual background to what bas happened in Manchester.

The plant's history can be broken down into three phases. The period from 1965, when Eaton Corporation bought it, to 1978, was marked by some of the classic symptons of low productivity and unpleasant management - union relations then common in many engineering factories, and possibly still prevalent in much of that industry.

Between 1978 and September, 1979, new senior managers began to attack some of the plant's problems, though not some of its fundamental handicaps.

Then, in a few bours in that September, virtually the whole plant was destroyed by fire. The re-opening of a new plant on the same site last year was accompanied by new pay arrangements and a new labour contract involving wide-sweeping changes in shopfloor practices.

Before 1978, Eaton employed 1,100 people in Manchester, 840 of them blue-collar workers. The site bad relatively old equipment and was riddled with nasty labour problems.

Alan Best, now the company's European operations manager, and an instrumental figure in the changes that were later to sweep through the site, described management then as "autocratic and aloof. There was a hierarchical and detached, paternalistic management structure. It was not open and there was very little reaching out to the workforce."

On the opposite side stood a union "sub-culture" built around a 15-man group of shop stewards and with extremely entrenched attitudes. Apart from a general air of belligerence and e virtual absence of communication, there was a bost of specific problems.

Faulty system

Restrictive practices designed around craft demarcation, whicb is all too familiar to engineering managers, had a virtual strangiehold — skilled turners would only work a lathe, for instance, and fitters had to have mates. That inevitably bred overmanning. Introduction of new equipment was a touchy and awkward business. The use of an outside demonstrator to show the shopfloor the operation of a new lathe itself sparked off a strike, one of a number suffered by the plant.

As in many companies, the pay system was faulty. It was made up of a high, non-variable basic wage element, together with a payment-by-results bonus system, which provided np to a further 25 per cent. That placed artificial restraints on output and was a cause of friction between different work groups.

Productivity was catastrophic at base-pay level, so during disputes workers could slash output dramatically simply by carrying out industrial action in sucb a way as to lose only their bonus.

The levels of output related to payments were negotiable. But this frequently resulted in management settling for soft options in an attempt simply to keep the plant running.

Supervisors, believing they were the meat in the sandwicb, generally opted to give up mucb of their authority, leaving the field further open to control by the stewards.

In late 1977, Best, a former plant manager at Ford's demanding Halewood site, was brought in as manager of the Manchester facility, and instigated a programme of change. He was working with another recruit, Pat Tunney, the employee relations manager and a former official of the mineworkers' union. "The meeting of minds is totally the responsibility of management," says Best. "Before, there had just been abdication."

Tunney says: "We tried to get into and underneath the subculture control. Where there is a lack of communication, there tends to be censorship of information by stewards."

In other words, the plan was to break down barriers between management and shop stewards, adopt a more open personal approach and increase participation. "We created a cultural shock," says Best.

At the same time, manpower was cut by 10 per cent, including some severe reductions in salaried staff. Tighter disciplines were imposed and staff and hourly-paid workers coming back late from the pub were sacked. Drinks in management board meetings were removed. "That created more squeals than almost anything else," says Best, "but it got us respect."

Two supervisors were appointed from the shopfloor as trouble-shooters to sort out prohlems in assembly and cast-iron machining, the two most difficult areas.

Productivity arrangements were revised, allowing some plant-wide measurement based on parts of the factory, as well as individnal incentives, which was better than the previous system, though by no means satisfactory, and some of the separate bits of paper making up the confusingly-worded labour agreements were tidied up. Some new equipment was installed.

"We were changing behaviour, so this would then affect attitudes," says Tunney. "Most of industry had only been doing the first."

After the fire in 1979 Eaton was initially undecided about where to rebuild. This led to a powerful bid by Best to persuade the Eaton Corporation to sanction a new plant at Manchester. It was coupled with a promise that the management and workforce could deliver the necessary productivity. The workforce was involved in a series of meetings at which the position was laid on the line. A statement of intent by the employees virtually saying "Give us a chance, we'll do it," was drawn up.

Brought on stream last Autumn, Eaton's new transmission plant was opened officially last Friday by Prince Philip (left). Alan Best (centre), is European operations manager and (right) is John Rodewig, vice president of Truck Components Europe.

The eventual sanctioning of more than £15m (a substantial part of which was covered by insurance on the old plant) of investment on a new plant now employing a very much smaller workforce of 280 at Manchester was coupled with new labour regulations.

The operating agreement was to be the framework of the new business. It gave virtually total vertical and lateral labour flexibility within the ability of the individual. For example, a skilled turner may be expected to do stacker driving; operators may do all the maintenance work they are capable of; and electricians can carry out some mechanical repairs.

There was an acceptance of new technology, removal of restrictive practices, introduction of a joint consultative committee, a new shift system, and a commitment to preclude any form of unconstitutional industrial action. The company also wanted to take out of the arena points of likely aggression, so the bedding-in process could be got on with undisturbed. As a result, a three-year pay agreement was negotiated linking wage rises directly to the cost of living and providing increases lower than the RPI to a strict formula.

At the same time, the bonus system was swept away and measured day working introduced with the standard times to do each specific job being non-negotiable. Three grades of labour were created with those in the skilled group currently earning £133 per week, excluding a £23 shift premium.

All this was coupled with periodic plantwide information meetings, extra skill training, introduction of problem-solving circles, and generally much greater consultation. The company is aiming to build on this by emphasising teamwork, and encouraging self-management, such as the scheduling of materials.

Groundwork

Best says the groundwork for all this was at the preparatory stage before the fire, but the destruction of the plant crystallised everything and allowed for much more rapid change.

"This is basically about a philosophy, rather than a set of facts," says Best. "And the company has to believe in it. People are basically honest and intelligent, and react to the kind of environment they work in. It is a recognition of people, if you like. They have got to have some enjoyment in coming to work. If you build trust and respect, there should be no fear of disagreement or of change."

If Best has any specific goals, it is to see atrophy of normal relations, management-union where union power of the confrontation kind is no longer seen as necessary, where there would be no aggressive pay bargaining and where supervision would be reduced to the minimum.

There are some worries which the company can see, however. If union power is negated to such an extent, Eaton could be challenged by the union structure from outside—possibly in the shape of the local AUEW district committee.

It also places an onus on Eaton to ensure it chooses the right managers. Within this looser managerial - shopfloor arrangement which the company is talking about, the workforce may be able to carry management waywardness. But a dictatorial management leadership which constantly gets things wrong could generate the re-creation of a more traditional union-management relationship. This is what the company is hoping to see die of its own accord—and with the full support of its workforce.

BOARDROOM BALLADS

DAY OF RECKONING

The chairman's great phlegmatic calm
Spreads its reassuring balm,
Like oil upon our troubled waters,
Throughout the corporate headquarters;
And soothes away our worried frowns,
Across the business ups and downs,
With words of fatherly good cheer,
For fifty-one weeks of the year.

★

But sometime in the fifty-second,
On past experience, we've reckoned,
Even he will fall, instead,
Victim to some inner dread:
And brood upon the now impending
Prospect of the fiscal ending
And a ritualistic beating
At the Annual General Meeting.

★

With negligible dividends,
The annual event portends
A day of unremitting terror,
And pained acknowledgement of error;
When pension-funds and institutions
Exact their doleful retributions,
And vitriolic widows brandish
Their share-certificates in anguish.

While some, with well-rehearsed finesse,
And eyes upon the watching press,
Will make pejorative assessments
Of home or overseas investments;
Or use their half-a-dozen shares
To catch the chairman unawares,
Enough to give the board the vapours
When they read tomorrow's papers.

★

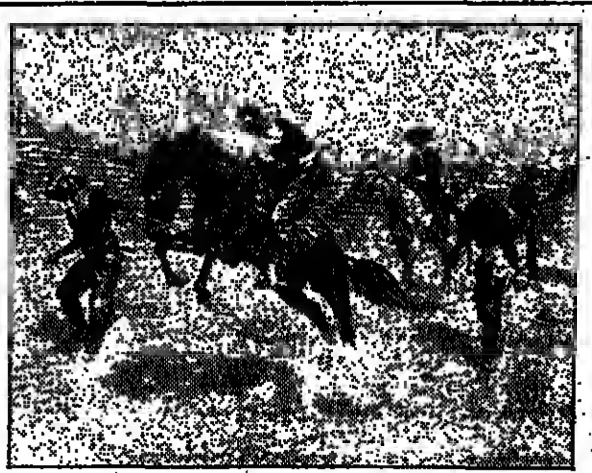
And how the shareholders will treasure
Their chance to take sadistic pleasure,
Or revel in this king of sports—
Delaying company reports—
Until, the final insult parried,
The annual report is carried!
And, off to gin and tonics boasting,
Oh, what a lovely chairman's roasting!

★

While he, poor soul, his torment ended,
Or for another year suspended,
A double-brandy on the shelf,
Is visibly his former self!
And offers, to relieve the tension,
In words I wouldn't care to mention,
A few, well-chosen apothegms
On shareholders and AGMs.

Bertie Ramsbottom

Next week: Corporate Communications.



THE ARTS

Spitalfields Festival

New London Chamber Choir/ Spitalfields

After an impressive debut in three concerts in St John's, Smith Square, earlier in the year, the New London Chamber Choir brought a programme culled from that series to the Spitalfields Festival on Monday night. It was a finely-balanced pairing of a recent work by the choir's conductor James Wood, and Gesualdo's *Tenebrae Responsories* for Holy Saturday.

The astringency of Gesualdo was a necessary antidote to the sometimes lingering sweetness of Wood's *Ode to St Michael*, completed in 1981 for the Schola Cantorum of Oxford. Wood is an outstanding percussionist and, as this concert proved, already a fine conductor: he also studied composition under Nadia Boulanger. Yet Boulanger's elegance and concern for surface appears to have left its mark on Wood's music substantially, if at all. The principal influence behind the ode was the Messiaen of *Cinq Rechants*, and the fondness for sweet harmonies conjured up possibly coincidental suggestions of John Tavener.

This setting of Psalm 103 and two passages from Revelation is lavish in its use of resources: a double choir, two soprano soloists, two sets of gongs, and a tape of organ, another choir and gamelan. One wished they could have all been more gainfully employed. The work's ritualistic skeleton, strict canons alternating with the wild and exotic passages from Revelation, hints at naivety, and the abandonment to undisciplined textures or thinking, "poetic" backgrounds suggests a similarly unsophisticated approach to creating sound.

The New London Chamber Choir responded well to everything the score demanded of them as they did to Gesualdo's Responses, performed here complete with the Benedictus the appendix. In the nave of Christ Church, Spitalfields, it sounded gravely beautiful and Mr Wood's carefully pointed and punctuated conducting gave it more than ample room and flexibility.

ANDREW CLEMENTS

The Davies piano sonata

On Monday a late-night recital at the Spitalfields Festival brought the second London performance of Peter Maxwell Davies' Piano Sonata, again its dedicatee Stephen Pruslin. Mr Pruslin occupies a altogether special place in recent British music, above all through his collaboration with Davies and with Harrison Birtwistle—sometimes behind the scenes, but also as ensemble pianist with the groups for which they have composed, the Pierrot Players and the Fires of London. The Davies Sonata, however, places him in an unaccustomed spotlight.

By ordinary concert standards, Pruslin is anything but a seasoned solo pianist. Presenting musical ideas merge, struggling, as he picks his way round the gaping holes in the technique. That is worth hearing, but a trial too: Haydn's Sonata in C, Hob. XVI 48 was a case in point in the recital —flustered, dodgy, perilously insecure of rhythm. Even Ravel's little "Ment sur le nom de Haydn" reeled waywardly from bar to bar, with curious lights thrown upon the music while the essential demure poise was quite jettisoned. Probably Pruslin was not aiming to be definitive.

The Davies Sonata was another matter: "definitive" is exactly what one expects Pruslin to be with it, in the circumstances. It is long, knotty and taxing, and he applied himself heroically. Broad lines were made bravely articulate, and some dramatic detail was powerfully telling. It is good to hear that he is about to record the work—the document was needed.

But there were also some complex metrical passages in which note-values scarcely approximated to those written in the score: was that licensed rubato, or was it involuntary? There were washes of neo-Impressionist arpeggiations which seemed to cry out for the lucid fluency of a virtuoso, and chains of chords topped by trills that juddered and stammered. Pruslin's association with the Sonata is established for good, but it will be salutary to hear what another sort of performer may make of it.

DAVID MURRAY

Field concertos/Barbican

David Murray

John Field (1782-1837) invented the nocturne, more or less, and it ensured him a niche in musical history. His seven piano concertos are much less often remembered; but they are being honoured in the Barbican this week by his compatriot John O'Conor with Nicholas Kraemer and the New Irish Chamber Orchestra. This is something more than an exercise in exhumation, for the dewy charms the music are real, the performers are stylish and the current weather induces a mood in which these inventive and disarmi works can be gratefully appreciated.

On Monday we had the first two concertos and a product of Field's middle years and the other much ... are full-bloodedly Romantic—decade or so later. Winsome ... elaborated in piano-filigree are the heart of the matter; the soloist holds the foreground unchallenged, with the orchestration designed ... hence also set his pretty decoration in relief. The high register of the piano is delightfully explored, over and over again, for little of the musical material requires a tougher note to be struck: the occasional vigorous sally never develops into a dramatic assault.

That isn't to say that the expressive means are trivial, still less brittle. If the composer's little world of feeling is a matter of gentle palpitations and shy confessions, it has an original stamp — even the passage-work has a freshness beyond the routines upon which his immediate successors traded. John O'Conor has the necessary clear and delicate touch, and the right unemphatic bravura. Mr Kraemer and the orchestra make a sensitive match for him. The last three concertos can be heard tomorrow and Friday.

NatWest backing for "Dream"

National Westminster Bank will continue to sponsor *A Midsummer Night's Dream*, the Royal Shakespeare Company's second production in its new Barbican Theatre on June 16.

This production was first seen at Stratford last year sponsored by National Westminster Bank.

Scene from 'The Longest War'

Television

Chris Dunkley

Freedom—even if it means rubbish

The scramble is on, among those who think they know better than the rest of us what is good for us, to staunch the flow of new television systems. From Mary Whitehouse to the London Business School (perhaps not such a great span) the paper floods out, urging the Hunt inquiry to vote to "regulate" cable television. Mary Whitehouse is calling for yet another public body specially to control cable TV. Professor Ehrenberg and T. P. Barwise of the LBS declare there must be a national supervisory framework. The anxiety to urge Hunt to declare in favour of controls results, no doubt, from the recent appearance of the Government's own "Report On Cable Systems" which although it is a pretty lacklustre publication does opt for deregulation and "self-regulation after the manner of the advertising or newspaper industries."

My own view is that for once historical inevitability is on the side of freedom of expression. Nanny may think she knows best, and she and her friends may stick their fingers in a number of holes in the dyke for a while, but sooner rather than later they will find the electronic information flood no longer spurting out of holes but coming straight over the top in tidal waves. Controlling it will involve the sort of totalitarian measures necessary in the Soviet Union to control the previous information revolution: printing (lately enhanced by photocopiers which are illegal in Russia except under Government licence).

Only this week it was revealed that Radio Luxembourg has already booked space on a rocket scheduled for 1985 to launch a £200m satellite to provide Britain with a new television channel carrying feature films, light entertainment and comedy with a strong news element. It might start at about the same time as the BBC's new satellite channels. If the American experience is anything to go by, that could be merely a drop in the approaching torrent.

But won't most of the programmes in that torrent be rubbish? No doubt they will. However, as with newspapers and magazines, music and books, the blessing of freedom entails the responsibility and the chore of wading past the 90 per cent of rubbish to settle upon the 10 per cent of worthwhile material. In any case, given the choice, most people prefer rubbish as the ratings prove every week.

★

Optimists would say that Thames Television's series *The Middle East—The Longest War* which started on ITV last night with "Palestine, A Nation in Waiting" was extraordinarily timely. Pessimists would say that if they had delayed even a few more days the series would have been out of date and useless. Even now there are touchy moments: "The threat of an Israeli invasion constantly hangs over Lebanon" said last night's commentary.

Taylor Downing who produced and directed doesn't believe in babying his audience, as we learned with the series on Northern Ireland *The Troubles*. In telling the story means a succession of talking heads with precious little visual relief then you can be sure that talking heads is what you will get. And we did. Since they included Yassir Arafat (and his brother the doctor) Leila Kaled (looking more beautiful and more bourgeois than ever) and a succession of other Palestinians whose heartfelt assertions of determination to regain their homeland were frequently backed by poignant mood music, and considerable talk of Zionism, there will no doubt be considerable Jewish fury this morning.

However, Thames can point to the impeccable Jewish credentials of executive producer David Elstein and, in fairness, claim that Downing's use of music is unusually thoughtful and wholly impartial. He has taken his cue from Richard Broad whose earlier series on Palestine (also for Thames) established the useful trick of having common snatches of music for the homeless of any nationality, for the victors of any nationality, and for the vanquished of any nationality. Fury will only be in order if tonight's episode "Israel, A State of Insecurity" and tomorrow's "Lebanon, The Field of Battle" are treated any differently.

★

The present official news blackout over the Falklands is slightly less infuriating than the original absurd mess in which television behaved as though everything was normal while showing us little but Argentine footage. What British military men and civil servants will learn from this war, one hopes, is what they ought to have learned long ago from Vietnam: that the world has changed radically since 1945, but much more on the home front than on the battlefield.

In a letter published in the FT last Thursday, Mr David Gunn wrote: "Your TV critic highlights an attitude expressed increasingly by the media throughout the Falklands war and which, if taken apart, can be roughly expressed as 'Never mind winning the war: just make sure we have enough material, fast, to fill our columns and TV screens.'"

Nothing I have ever written could be interpreted even roughly as "Never mind winning the war," but much more importantly Mr Gunn has missed the point: that in order to win modern wars it is necessary to fight successfully not only on the battlefield but on the screen and on the page as well, not in any military sense but for the hearts and minds of the international public. And truth is by far the best weapon. For several weeks it seemed pretty clear that Britain was losing that war on screen and page.

Further on Mr Gunn inexplicably brackets together the immediate dissemination of news about what has already happened with speculation on future moves, seeing both as a hazard to the troops. I would have thought there was a world of difference between the two, which is why my criticism all along has been aimed specifically at British failures to illustrate on television Britain's success, from South Georgia onwards.

What is most worrying, however, about the Gunns of this world is what they imagine Britain is fighting for? If *not* for a society in which an electorate well informed by the mass media controls (among other things) its own military arm via elected representatives, then what on earth for? If Mr Gunn thinks it better to have the military in charge and doing whatever they like while the populace is fed via a subservient mass media with whatever the soldiers choose, isn't he on the wrong side?

★

If I were in charge of BBC arts programmes I would be worried. As the two flagship arts series go into their insane summer hiatus ITV's *South Bank Show* is as far ahead of the BBC's *Omnibus* as ever. True, SBS has shown an unjustified fondness for swanning about New York, but judged over all it has had another most impressive season, crowned by what I was slowly coming to think was impossible: a highly successful television programme about poetry.

Andrew Snell's programme on Philip Larkin was technically adroit. Lacking the poet himself he gave us scrupulously researched illustrative film which never created banal tautologies with the words. The same could not be said of BBC2's Larkin programme six days later which on the word "town" cut to a town and on "dome" cut to a dome and so on. Worse, the BBC programme was called *It's My Pleasure* but presented by Roy Hattersley as though entitled *It Is With Deep Regret*. To make matters worse although Judi Dench read beautifully Alan Bennett, who sounds like an inspired choice, turned out to be wholly unsuitable for Larkin. Bennett has always exploited the mundane for comedy where Larkin sees tragedy, and the words were all wrong in those familiar Bennett tones. But the essential difference between the two programmes was that where Hattersley had absolutely no sympathy with what the poems express (as he readily admitted) Snell, who never even appeared, seemed to have deep sympathy.

More worrying still for the BBC, just a week after SBS put up the shutters, Granada presented *A Pianist At Work*, 60 minutes on Murray Perahia in which biography, autobiography, performance, and even some charming old coloured home-movies were woven together into a seamless whole with such skill in production (Basil Coleman, Stephen Mellor and Norman Swallow) and especially editing (Michael Foale) that it looked effortless. From the way the sound swam across the picture mixes, linking one scene almost subconsciously to the next, to the photography around Aldeburgh, it was all quietly superb.

'On the Razzle'

There have been cast changes in the National Theatre's successful production of *On the razzle* at the Lyttelton. Fortunately the key role of Zangler, the malapropistic grocer, is still in the brilliant care of Dinsdale Landen, who goes over the top and takes on the audience just as writer Tom Stoppard intended. Felicity Kendal continues as Christopher, another inspired piece of casting.

Alfred Lynch as the counter clerk Weinberl and David Roper as the "classic" servant Melchior sustain rather than improve on the original performers but the ladies seemed sparkier with Ciaran Madden as Frau Fischer and Meg Wynne Owen as Madame Knorr.

Some of Stoppard's verbal gymnastics are lost in the frenzy, but there is no play in London which combines farce and humour so well. There are also some impressive speeches —about commerce in particular —which lift the whole enterprise on to the highest plane. But it is the non-stop jokes that make the piece: I particularly liked the restaurant that was so smart that the ploughman's lunch was six oysters and a creme de menthe frappe.

ANTONY THORNCROFT

The Taming of the Shrew

Rosalind Carne

A transatlantic Kate in Regent's Park

A good dose of pacy, extravagant, stage business rescues Shakespeare's most unpalatable comedy. No sensible woman will endure taming and my principal problem in responding to this otherwise highly enjoyable production, is that Kate O'Mare makes an unconvincing shrew and a horribly convincing, docile, bride.

Christopher Neame's Petruchio reeks a Mephistophelean charm, looking like a Chicago gangster in his white waistcoat and pinstripe suit. He sneers and snarls his lines through a wide, knowing grin, at his best when easing into intimacy with the audience, addressing them in challenge. Can anyone suggest a better way of curbing a headstrong mistress? No offers.

The Transatlantic style prevails, dated somewhere around the late 1940s. Half the menfolk and their servants appear to have defected to the American army, and arrive in Padua on leave from Florida, instead of Florence. The gimmick provides some lively humour, notably from Paul Raffield who turns a minor servant role, Biondello, into a wise-cracking, gum-chewing GI.

He breaks into a snappy tap dance routine for the play's only original song. Director Richard Digby Day has wisely interpolated a couple of jazz numbers; Joan Davies, as the wealthy widow, saunters across the stage with a very acceptable rendering of "Embraceable you," quite in keeping with the eclectic mood.

Kate and Petruchio's frenzied courtship is what most of us remember best, but in this case it is the surrounding machinations that steal the show. Janet Spencer-Turner creates an unusually sparkling Bianca, and one of the fullest performances comes from William Relton as her successful suitor Lucentio. Another Florida emigrant, he is beautifully poised between the wide-eyed innocence of the college boy and the incipient macho of the Latin male.

James Cairncross makes a solid, central figure as the business-like father, Baptista, totting up the assets of the hopeful wooers in his handy pocket-book. Attention to numerous such tiny details adds up to an eminently watchable opening to the Open Air theatre's 50th season.

Leonard Burt

Christopher Neame and Kate O'Mara

Book Review

Clement Crisp

The Colonel and the dancers

De Basil's Ballets Russes by Kathrine Sorley Walker (Hutchinson: £12.95; illustrated)

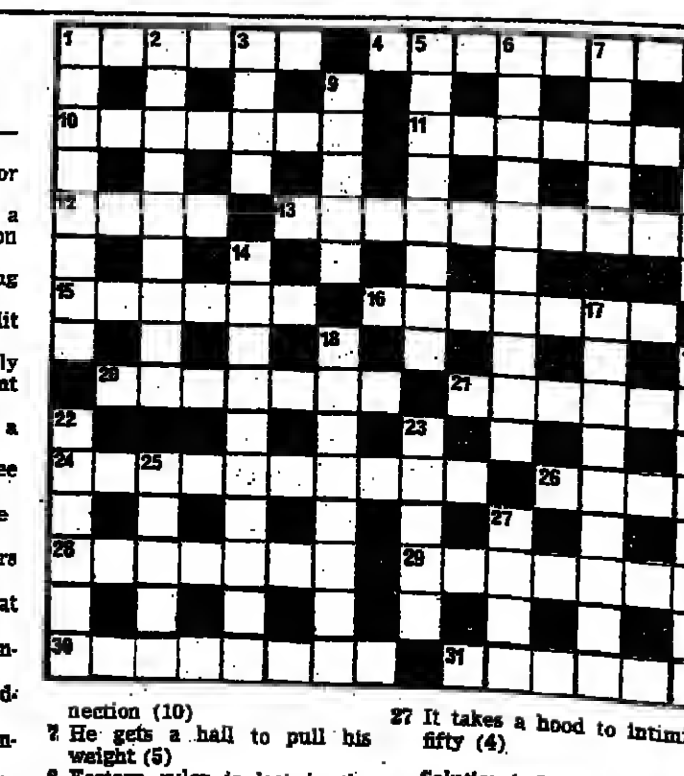
Colonel W. de Basil has often had a bad press. "He thrived on intrigue. It was as salubrious an atmosphere for de Basil as a dank cellar is for a fungus culture" is a fair sample, from Bernard Taper's book on Balanchine. But any man who could guide the Ballets Russes company which emerged in the early 1930s to huge success, and could maintain that company despite massive financial problems, must needs make enemies. De Basil's achievement was that, for all the factions and secessions, defections of dancers and choreographers to other companies, bitter quarrels and law-suits about the rights to ballets and the magic title "de Monte Carlo," he maintained the glamorous image of the Ballets Russes through thick and, very often, thin.

His story and that of the company which he controlled for two decades between 1931 and 1952 has now been expertly told —I am tempted to write "unrevelled," for it is a tangled knot of intrigues—by Kathrine Sorley Walker, and it makes fascinating reading. It is a tale whose basic law is: two Russians —a ballet company; three Russians—two ballet companies and a law-suit.

It is hard for us, after half a century, to understand just how thrilling were the years when, following Diaghilev's death and the dispersal of his troupe, René Blum, director of the Monte Carlo opera house, and Colonel de Basil managed to start up the Ballets Russes again. This was the age when Danilova and Massine and the Baby Ballerinas—the just teenage Baronova and Toumanova and Riabouchinska—were the darlings of Europe and America.

The inevitable splits, the shuttlings by dancers between companies and by an ecstatic public between theatres (Covent Garden and Drury Lane with rival Ballets Russes seasons in June 1938 were the scene of the celebrated "battle of the ballets"), are detailed in liveliest and most cogent fashion.

F.T. CROSSWORD PUZZLE No. 4,892



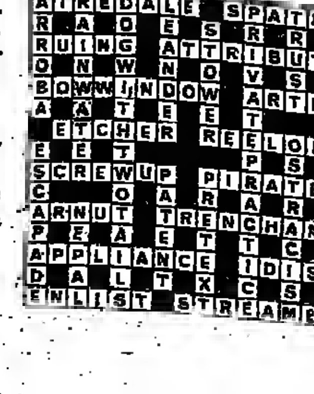
ACROSS

1 Sack containing a guinea—that's the amount (6)
4 Doctors take in everything for a game on board (8)
10 Vegetable obtained from a short trip with a companion (7)
11 Not exactly fit in covering hidden danger (7)
12 We return with little credit to the gang (4)
13 Co-op America endlessly gives us light entertainment (5, 5)
15 Fish for one who takes a nap (6)
16 Sport round the marsh—see it in colour (7)
20 French comic returns in time to cause disturbance (7)
21 Meal for father among others (6)
24 Ill-supplied with money—that takes the biscuit (10)
26 Still one has abominable connection (4)
28 Confused oration about Canadian city (7)
29 Number one is his chief concern (7)
30 A garment in an attempt to burlesque (8)
31 Drowsy agent round the shelter (6)

DOWN

1 I ask chef about something to eat (4-4)
2 Pet subject of experiment (6-3)
3 "And we have wits to ——, and praise to give" (Jonson) (4)
5 Results from the philosophy of "an eye for an eye" (6)
6 All quiet, though there is disturbance in the German connection (10)
7 He gets a ball to pull his weight (5)
8 Eastern ruler is last in the sick-bay (6)
9 Photograph can be encouragement to the footballer (5)
14 You can score 250 another time (3, 2, 5)
17 Whence come wine and rumours (9)
18 Get going with the chief tipster (5, 3)
19 "And —— meditate the thankless Muse" (Milton) (6)
22 Armed guard in a car (6)
23 Tennis champion has something to wash in (5)
25 Old port of Rome (5)
27 It takes a hood to intimidate fifty (4)

Solution to Puzzle No. 4,891



FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday June 9 1982

The ruin of Lebanon

ISRAEL'S INVASION of Lebanon now appears to be moving well beyond its initially stated intention of ejecting Palestinian guerrillas from positions where they could shell the north of Israel. The definition of security for Israel looks as though it may be broadened to encompass a total restructuring of the Lebanese political map. The aim is, as Israeli officials have stated, to create a Lebanon with which Israel can sign a peace treaty.

The Israeli Government seems to believe that its forces have first to deal a heavy blow to the military capability of Mr Yasser Arafat's Palestine Liberation Organisation and then to ensure that the bulk of his guerrilla forces are driven out of Lebanon.

Next, the Israelis would require the withdrawal of the estimated 30,000 Syrian troops who have been in Lebanon since 1976 when they arrived to put an end to the civil war. Both objectives would prove costly in lives and damage to property and indeed are already proving so. They also run the serious risk of a full-scale war between Israel and Syria, with Syria receiving support from the Soviet Union.

Preoccupied

Israel has been gauging the wider political risks with some care. Since signing the peace treaty with Egypt, Mr Menahem Begin, Israel's Prime Minister, has probed the extent of Arab and Western tolerance to his interpretation of Israel's security requirements. Israel successfully bombed the Iraqi nuclear power plant near Baghdad. It reaffirmed its annexation of eastern Jerusalem. It applied Israeli law — virtual annexation—to Syria's Golan Heights.

The Arab countries, without the leadership of Egypt, preoccupied with their own domestic squabbles, and concerned at the revolutionary ardour of Iran, made little effective response. Neither the U.S. nor Western Europe were willing or capable of restraining Mr Begin.

It was therefore not such a giant step for Mr Begin to consider an altogether more ambitious plan for Lebanon. The U.S. has already said that it is not considering any immediate sanctions against Israel, although it did support the UN resolution calling for a ceasefire and military withdrawal.

The implication which may be drawn, not just by the Arab states, is that the U.S. is not greatly distressed by the wider political objectives of the Lebanon invasion even if it may deplore the loss of life. Should Israel prove militarily successful in Lebanon it might then be expected to be more successful in imposing its own version of a political solution on Palestinians living under occupation in the West Bank and Gaza.

Broadening

Mr Begin has repeatedly declared that the West Bank is an indivisible part of the biblical land of Israel and should remain so for ever. The defeat of the PLO in Lebanon and the securing of that country against any future Palestinian presence would be seen in Israel as a step towards the West Bank goal.

The Camp David agreements signed by Egypt, Israel and the U.S. provide for a negotiating framework which would eventually arrive at a solution for the West Bank and Gaza. The Europeans, through their Venice declaration, called for a broadening of that process through Palestinian participation. Mr Alexander Haig, the U.S. Secretary of State, laid emphasis last week on "legitimate Palestinian aspirations."

Israel alone appears to have opted for the military path to a solution. It is just possible that in purely military terms it will succeed. But the cost to others is high and mounting daily.

Negotiation

Too many countries, too many people and too many deeply-held beliefs are at stake for the Palestinian issue ever to be solved satisfactorily other than through negotiation. As Mr Douglas Hurd, Britain's deputy Foreign Minister, said yesterday: "I don't think you can win Israel's security indefinitely by occupying other people's land. That simply produces terrorism." It is to be hoped that this message is heard more clearly in Washington.

Pay policy back in the ring

YESTERDAY'S 24-hour strike in the National Health Service, complete with police and troops on stand-by, may arouse fears that what happened to Mr Heath in 1973-74 and Mr Callaghan in 1978-79 could yet befall Mrs Thatcher before the next election — unemployment figures notwithstanding. Would Britain be any less prone to industrial strife under the SDP, whose draft economic strategy was unveiled for discussion earlier this week?

Where pay policy is concerned there is no shortage of potential voters ready and willing to submit to the pain of a new idea. Most people agree that the present system of pay determination is unsatisfactory. In the public sector Civil Service pay relativities are established according to the degree of disruptive clout. Nationalised industry employees thrive according to the extent of their monopoly bargaining power and the ability of their employer to pass on inflated wage costs to the luckless consumer.

The private sector, more vulnerable to market forces, suffers more violent swings in levels of pay and employment.

Decentralised

The SDP's answer is to dress up several old ideas in a new guise. It wants an economic policy that concentrates not on tight fiscal and monetary policy but on the objectives of output, employment and prices. And to overcome the inflationary impact of an employment-boosting expansionary budget policy, the SDP makes a magnificent promise to square all circles via an incomes policy that is permanent, yet sensitive to market forces: part-compulsory, but none the less fair.

Three possible approaches are offered. One is the re-establishment of a prices and incomes board. Another is a decentralised policy based on arbitration and tax incentives. The third tack, for which the SDP's enthusiasm is more muted, would involve a combination of a firm public sector pay policy and West German style "concertation" — whereby government, management and unions would seek to agree on a broad hand within which private sector pay bargaining would take place.

Incomes policy has been criticised in the past on the grounds that it simply creates pay anomalies and compresses differentials; mounting resentment among workers is alleged to make the policy unworkable except in the short term. Why, then, place faith in the SDP's proposals?

Arbitration

It is hard to see a prices and incomes board doing the job without a fair wind from management and unions, or more effective sanctions for pay policy than successive governments have been able to find. Nor is the third, minimalist solution, likely to commend itself very strongly to SDP supporters since it boils down to a gamble on continuing restraint by employees and their unions.

Which leaves the decentralised approach based on arbitration and an inflation tax. The SDP wants an independent national arbitration body which would set a notional pay norm and apply the same criteria to all disputes. The aim would be not merely to avoid disputes and achieve settlements acceptable to employers and workers, but to ensure settlements that promote output and employment. It would also aim to follow market forces by, for example, accepting the case for pay settlements above the norm for workers whose skills were in short supply. A tax penalty would come in to play when pay limits were breached.

Small steps

It is hard to see how, in the public sector, this would help deal with Arthur Scargill. In the private sector it raises a new set of labour market distortions by, for example, potentially penalising those who want to raise wages to attract more labour to which the SDP replies that the game is worth the candle if we are to have a return to non-inflationary growth. A more fundamental doubt, however, is whether such a system is not too bureaucratic to be workable.

There can be no magic solution over pay. The most that governments can hope to achieve is a succession of small steps which help erode monopoly bargaining power in the decentralised system of free collective bargaining. The merit of the SDP's draft paper is that it makes no attempt to skirt the awkward fences, despite the unanswered questions. It should not be dismissed lightly.

BRITAIN'S MINERS

Scargill prepares for war

By John Lloyd, Labour Editor

MR ARTHUR SCARGILL, President of the National Union of Mineworkers, believes the National Coal Board wants to halve Britain's mining labour force of 211,000 by the end of the century. He is probably right: and he is dedicated to stop it.

The Board's attempt to close down some 21 loss making pits was scrapped amid fanfares of embarrassment last February: Mr David Howell, the then Energy Secretary, announced a "rethink" on coal industry finances, and the NCB shifted from national confrontation to area-by-area discussions on pit closures.

Since then, it has closed 12 pits without significant objection. The unlucky 13th was Snowdown Colliery in Kent: there, the Kent area of the National Union of Mineworkers has decided to fight, and the national executive will discuss a possible widening of the action tomorrow.

Mr Scargill wants a militant stance: he will have to convince a good many doubters on the executive, many of whom want the issue to go through national disputes procedure.

The miners' leader wields considerable authority within his own union, that authority resting largely on the massive 70 per cent of the vote he achieved in the presidential election early this year. He is as much a household name and face as Mr Len Murray, the TUC general secretary: his public presence, on platforms like the one given him by CND last weekend, is uncompromisingly radical and passionate: he did not trim his policies to gain election and he shows few signs of doing so now.

These policies are all of a piece, and they are aimed at maintaining the mineworkers as the cutting edge of the British working class. To do this, he needs to keep their numbers up and their industrial leverage formidable.

To that end, he,

- Opposes nuclear power. The replacement of coal-fired power stations by nuclear ones would severely reduce miners' strength—even if, as the NCB has in mind, coal will come to replace oil as feedstock to massive liquefaction plants by the end of the century.
- Opposes coal imports. The use of relatively cheap coal from Poland, Australia, the U.S. and elsewhere would, if extended, provide the Central Electricity Generating Board with a lever of its own against NUM industrial action.
- Opposes pit closures except on grounds of complete exhaustion. To accept the Board's criterion of closure because of unprofitability would deprive him of some of the areas of his greatest industrial strength.

Yet, for all his talent and all the cards he holds, he faces great problems.

First, the centre and right-wingers of his own executives—men like Trevor Bell, secretary of the white-collar branch Cosa, Ray Chadburn, secretary of the Nottinghamshire Miners, and Sid Vincent, secretary of the Lancashire miners — may be demoralised, but can still gather a majority on some issues against the left. They are, like all area leaderships, fiercely jealous of their independence: the NUM is still a federal union with a relatively weak central structure.

A good case in point is provided by the present situation in Leicestershire area. There, the area secretary, Jack Jones, has accepted that his entire six-pit coalfield will close in around 10 years. In talks with the NCB, he has agreed to run down the South Leicester pit through redundancies and transfers over the next two years, and to begin the rundown of two others.

He will see his membership decline from 4,500 to 2,500 over the next few years: the remainder will largely be transferred to the new, super pit in the Vale of Belvoir, due to open by the beginning of the 1990s. Jones and the Leicestershire miners are not fighting: it is doubtful if they would respond to Scargill telling them to.

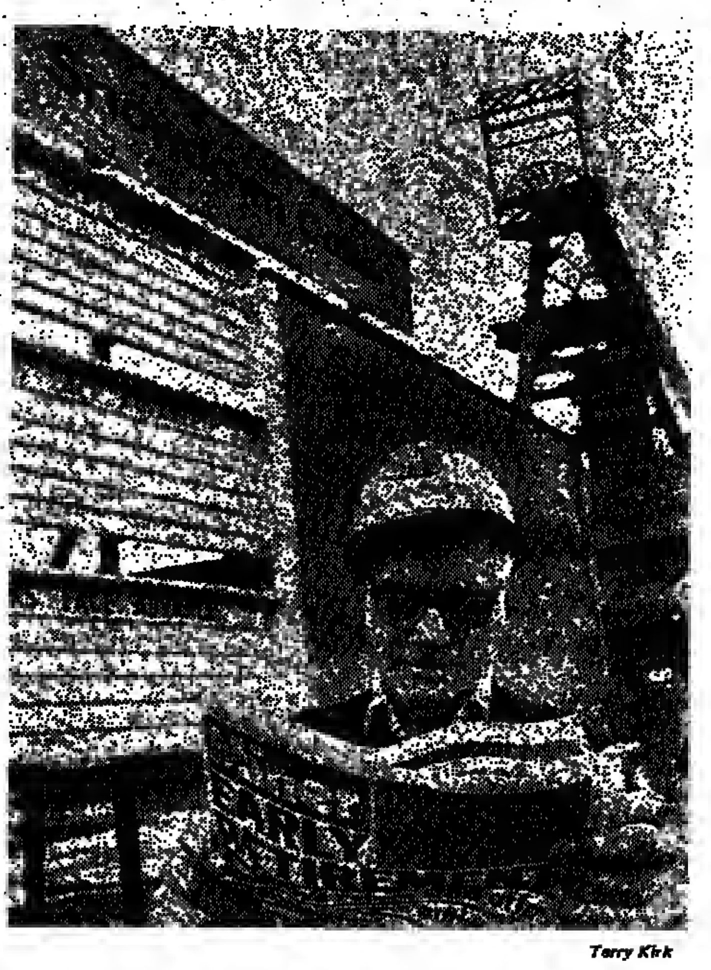
Second, economic logic is on the side of the Board. Pits like Snowdown produce coal — of high quality, in its case—but the price is high. The Kent coalfield loses £15m a year, with little prospect of improvement. Snowdown itself is losing £10,000 a man a year.

The Board, which often occupies a rather uncomfortable position between the NUM and the Government, can argue against imports and for subsidies only so far: it must then be seen to be making itself as efficient as possible, which means more, capital intensive super pits and fewer massive lossmakers. If Mr Scargill's arguments can win over conservationists and the growing anti-nuclear lobby, the Board — and behind it the Government — is in tune with the citizen as taxpayer.

Finally, there is the imponderable of the NUM membership. Even the militant miners of Kent (see below) are not wholly united behind an area-wide strike on June 19. Older men are tempted by redundancy payments of up to £10,000 and by pensions of up to 90 per cent of earnings. Younger miners, with high earnings from bonuses and increasing obligations, appear less ready to give Scargill an automatic mandate for militancy: soon after they overwhelmingly elected him, the miners refused to follow his call to reject the Board's pay offer.

Scargill can and does argue that right-wing leadership has confused and demoralised the mineworkers, encouraging acquiescence in rundown. He will use his popularity and will greatly increase the size of the monthly NUM paper, the Miner, to campaign against closures and job loss.

Tomorrow's executive will, as well as [illegible] industrial action, decide on holding a special delegate conference on job losses—some 12,000 in the past year. Even in the depth of a recession, the NUM can discover great wells of militancy and great hostility to the present Government.



Terry Kirk

Snowdown Colliery in Kent—where the miners have decided to make a stand against closure

COAL BOARD OPTIONS

WHEN the National Coal Board's figures are released next month they will show that the UK industry made a marginal profit in the 1981/82 financial year—after the payment of £460m in grants.

The NCB notes loftily that there "is not a coal industry in the world which is profitable without grants." But the board is well aware that the present Government is looking to phase out all operating grants —roughly 80 per cent of the total—to the British coal industry by the mid-1980s.

Plans for an overall improvement in profitability inevitably call for the closure of inefficient pits—in some mines the Board is losing as much as £20 on every tonne of coal produced.

In 1947, when the coal industry was nationalised, the NCB had 1,000 mines. Today there are 200 employing 211,000 miners. Since 1970 a total of 92 pits have been shut which means the average closure rate is nine a year.

And the NCB, which invested some £700m in the last financial year, is moving slowly but surely towards the use of big, modern, less labour-intensive mines—the so-called super pits.

The new mine at Selby in Yorkshire, for example, will be able to produce 10m tonnes of coal a year with between 4,500 and 5,000 men by the early 1990s—and possibly sooner. The average existing pit employs 1,000 men—and it would take 15 average pits today to produce 10m tonnes of coal, which means three times the Selby workforce.

The NCB currently has around 30 top-class pits. Most of them are large as well as efficient such as Kellingley in North Yorkshire which produces .75m tonnes a year with 2,300 men. But a number make up for their lack of size by high productivity.

The NCB reckons it has another 150 "medium to good" mines which are the "backbone of the industry" and which finance the loss-makers.

In February last year the industry was thrown into crisis when the miners opposed NCB plans to shut 21 pits, with the loss of 13,000 jobs. The 21 had lost £74m in 1980/81 and produced only 4.25m tonnes of coal between them of the national output of 124m tonnes.

Ten of the 21 on the original list have now been closed and two others—not on the list—have also been shut.

And assuming closures of entire pits continue at the same rate as for the last decade, over 25 mines and up to 25,000 jobs could go between now and 1985 when the crucial Government grants are due to run out.

Sue Cameron

HOW COLLINS THE ORATOR WON THE DAY IN KENT

THE ability to move men by argument, will and sheer presence is less rare in the labour movement than commonly supposed, but is uncommon enough to be notable. A most notable instance of the art took place a week ago on a football field in Kent.

The Kent mineworkers, now reduced to 3,000 working the three pits of Betteshanger, Snowdown and Tilmanstone, have a history of militancy. Betteshanger was the only pit to strike during the last war: the strike leaders were jailed but soon released. The area's manpower was largely drawn from left-wingers blacklisted in their own areas—Scotland, South Wales, the North East —and employed in Kent because local labour would not work the field's tortured, narrow seams and hot tunnels.

Last Wednesday, around 1,000 of these men gathered under a marquee outside the village of Aylesham, whose economy wholly depends on the nearby Snowdown pit. They heard the area President, Mr John Moyle, report on futile negotiations with the NCB: how the Board wished to make redundant or transfer up to 600 of the pit's 800-odd workforce, keeping 200 for a three-year driveage to a new face which might—or might not—be profitable. The programme would cost £3m—a lot to risk for a possible nothing, less when set against a current annual loss of £9m.

The miners, standing or sprawling on the grass, listened silently. Then Moyle read the resolution adopted by the area executive to counter the Board's proposal: strike from June 19, widen the action if possible . . . and no miner to take redundancy pay-off on pain of loss of union benefits.

Then the field became a tumult of angry shouts. "No! No!" "That's our money." "We don't want that." One man beside himself with rage, rushed to the stage on which members of the executive sat, shaking his fist under their noses. "Don't you tell us what to do! We tell you what to do!"

Moyle ploughed through the resolution and sat. Jack Collins, the area general secretary rose into a barracking of hostility. Collins is a tall, strongly built, handsome man: he might have been a model for the Leading Worker in a Social Realist painting of the 1930s. But as he began to speak, his low, hurried voice was half drowned.

He gestured to the TV cameras on the side of the stage. "Everybody will see you tonight on television and Derek Ezra will know he can do the same to you as Michael Edwardes did to BL. We should not want to be involved as miners shouting and catcalling each other." The shouting and catcalling abated a little, as Collins tried to shame the audience.

The speech which followed was largely extempore; an amalgam of appeals for loyalty ("loyalty is two-way: it is between us all"); a defence of his record ("I will never ever sell out the miners: my record is clear"); and most of all, an appeal to the morality of a mining community ("None of us have the right to sell our jobs—it is a completely immoral attitude to adopt. And what cannot be justified morally cannot be justified at all. There will be many youngsters in this village who will want to look, want to examine the men who have sold their jobs").

The speech unrolled: Collins was now getting more cheers than boos. On a peak of rhetoric, he threw the motion to the meeting: "All those in favour!"—perhaps 400-500 hands. "Against"—perhaps a hundred. Meeting closed. The opposition, caught on the hop, began to cry for a promised debate—too late.

So they brought home the vote in the Kent area. It was not a model exercise of the democratic process: a debate was promised, and none came. After the meeting's closure, in a sad scene with clear contemporary parallels, an elderly Polish miner stood before the stage shouting at Collins: "You got what you wanted, Jack. What you wanted, not what we wanted."

Yet it was impossible to determine what they wanted. Some, especially the older men, undoubtedly did want to take redundancy money and retire early. Others — the younger men — perhaps needed some heart put in them for a fight. Their test—for the miners, Collins and the executive—will come if the board does not back down—and when they must, as Collins exhorted them to do, "stand like men, stand like miners."

Men & Matters

Adrift in Athens

Whatever happened to those golden Greeks who once bestrode the world's shipping markets and gossip columns?

Gone, gone, gone—perhaps never to return. That is the official word from Athens where the shipping industry's armadas have gathered for the biennial Posidonia Exhibition.

"Sad to say, the time of the golden Greeks is past," said Aristomenis Karageorgis, president of the Union of Greek Shipowners. The world shipping slump has effectively taken care of them, though there is no shortage of tanned owners and their wives swanning around the sweaty streets of Athens and the nearby port of Piraeus.

In these harsh times of recession and rock-bottom freight rates, money is no longer to be freely plucked from the hands of the world's importers and exporters. Hard work and foresight are what it takes just to survive nowadays, said Karageorgis. And your average Greek shipowner, it seems, is a man who likes to keep his head well below the sights of the Press gangs.

The industry certainly still offers opportunities for profit, said Karageorgis, looking, for a rare and brief moment on the brighter side. "But it can no longer, if indeed it ever could, make millionaires overnight."

Dim outlook

Economist Rowena Mills tells me of a slightly sad incident which shows a lack of faith in the future for women in the packaging industry. She was lately made a fellow of the Institute of Packaging, the first of her sex to be so appointed. At the AGM, the Institute's secretary asked her if she minded having "him" and "he" on the decorative certificate. (She did.) But apparently it was felt that any move to change the lettering to "her" and "she" would spoil the design and—wait for it—the Institute did not feel it was worth ordering any certificates specially for female members.

Overstretched

What is gungy brown, and stock-piled in Billingham? Right first time—guttapercha, which, as everybody knows, is the rubber-based derivative still used in making some golf balls.

The stuff at the moment is sticking to the hands of Richard Turton, of accountants Spicer and Pegler, the receiver of Dolphin Cable, a £1.7m company floated on Teesside some 18 months ago to recover out-of-service telecommunication cables from the sea-bed.

The idea was to extract and sell the steel, copper and guttapercha from the cables. And with what Turton claims is the only vessel in the world equipped for the job, Dolphin lifted 700 miles of cable before it ran into difficulties.

There were no problems in retrieving the steel and copper. But the guttapercha had absorbed impurities like salt and could not be properly treated.

Since the Malaysians have stopped making the substance, Turton reports that some interest is still being shown in the possibilities of this new source of supply. "Though not many people actually come along and plant fat cheques on your desk."

He expects the results of analysis from the U.S. in about a week which should show if it is technically feasible for guttapercha, and perhaps Dolphin, to bounce back.

Bare essentials

Poland's consumers' association, which was set up last year, has not only survived the rigours of martial law but has now even got permission to produce a weekly newspaper.

The first issue of "Veto," as it is called, contains a wry comment on the chronic shortages in the shops. Readers are invited to enter a competition to guess the date at which a picture showing a shop with its shelves packed with goods was taken.

First prize is a bar of soap.

Irish ayes

Guinness and Apple is not a new diet fad—but a combination that is going to launch an Irish version of the Open University.

The Dublin brewer is putting up I£90,000 and Apple Computer is giving 75 microcomputer systems worth around I£200,000. The money and the machines will go towards two pilot programmes on basic computing and agriculture to be transmitted by RTE, the nation's TV organisation.

The idea of the National Institute for Higher Education, the driving force behind the scheme, is that private industry will contribute to further developments on the grounds, as Guinness director Ernest Bodell says, that technological education is an investment.

The micro-Apples will go into the country's regional adult education centres where it is hoped they will excite more interest. When the machines are not in use with the TV programmes, the centres can play with them themselves.

Camping in

The long taboo subject in the Communist countries of homosexuality has been broken by the East German Communist Youth Organisation. Its newspaper, Junge Welt, has replied to a letter from a young woman who asks whether outside help should not be given to get the two homosexuals in her "work collective" to have "normal sexual relations."

"Dear Astrid," the newspaper's female personal problems editor says in an unusual flight of liberality, "I don't think homosexuals want such help nor would it be necessary. What should be changed is the way of thinking of people who cannot understand this."

She notes that while under capitalism homosexuality often led to prostitution because of widespread unemployment, "our humanistic convictions require us to respect and accept those who feel differently. Our laws grant homosexuals complete equality and there is no basis in our society to discriminate against homosexuals."

In fact, homosexuals in East Germany are unable to hold down most Government jobs or to serve in a higher rank in the armed forces.

Observer

FINANCIAL TIMES SURVEY
Wednesday June 9, 1982

West German Banking and Finance

Like most banking communities in the industrialised world the West Germans have experienced two difficult years of recession coupled with widely fluctuating interest rates. There are signs of stability emerging on several fronts but the domestic prospect is for a period of growing competition in most sectors

Greater awareness of risk element

By Stewart Fleming in Frankfurt

THE WEST GERMAN banking and financial sectors have been shaken to the core by the events of the past two years which have forced German financiers to re-assess or discard many of the assumptions on which they conducted their business in the previous decade.

In international banking markets developments first in Iran and Afghanistan, then in Poland and now in the Falkland Islands have re-inforced the unease of German bankers about the political and financial risks in international lending. The Polish crisis above all has driven the point home, for the German banks are the most heavily committed to Poland as well as to many of the other East Bloc countries.

Domestically too, however, the financial markets have been labouring under an awareness of increased risk as the realisation has spread that the economy and the financial institutions of the Federal Republic are bound up inextricably with increasingly volatile international financial markets.

The past two years have provided the most dramatic demonstration of this interrelationship because the volatility of international financial markets has co-incided with a period of economic weakness in West Germany itself. Over this period, as the German current account plunged into a DM 30bn deficit in 1980, German inflation soared to a year-on-year peak of 6.7 per cent in October last, and the D-Mark plunged to three and four-year lows against the dollar, the Bundesbank (the central bank) has found itself forced to defend the international value of the German currency as well as its domestic value.

Unexpected

Its choice of priorities resulted in another unexpected upward surge in West German interest rates beginning in February of last year. This took long-term capital rates to post-war record highs of over 11¼ per cent and helped to plunge the domestic economy into a recession (from which it has yet to emerge) in the course of which unemployment and the bankruptcy rate have also hit record levels for the Federal Republic.

It is some comfort that the German current account is now headed for a surplus in 1982 and that inflation is falling towards the 4 per cent level. The Bundesbank has been able to relax its monetary policy and restore a Lombard rate of 9 per cent instead of the "special" Lombard rate of 12 per cent which ruled during most of 1981. In the process the threat of new losses on long-term bonds has been transformed into healthy profits and the banking sector, which is crucial to West Germany's economic success has for the most part been restored to satisfactory profitability.

With capital market rates back to between 8½ and 9 per cent and the currency apparently stable around DM 2.30 to the dollar, the authorities are able to boast of some "decoupling," from U.S. interest rates. But the fact that the economy is still locked in recession, that capital spending is still falling—probably at a faster rate than last year—and that there appears to be no more room to ease monetary policy further in the face of these problems underlines the extent to which even under today's relatively favourable circumstances for the external value of the D-Mark, domestic economic affairs are still heavily influenced by international developments. This interdependence has been — and remains—one of the factors forcing bankers in particular to adopt new business strategies at home and abroad.

Thus at home bankers around the country are vowing that never again will they speculate to the extent they did in the mid-1970s on the swings in the domestic interest rate cycle. Many banks then, partly under the pressure of competition from the fast growing Landesbanks but also in pursuit of size, took on billions of marks of fixed interest long-term loans, hoping to finance them later on short-term rates at widening spreads as interest rates fell. Instead rates rose to unexpected peaks, with short rates between 1979 and the present consistently higher than long rates, forcing those banks which had taken the plunge to accept losses.

In the case of Commerzbank the mismatched portfolio was over DM 20bn for Dresdner Bank and Westdeutsche Landesbank over DM 10bn. The burden may have been less for other banks, including some of the larger savings banks, but the shock of just how sadly wrong experienced banking executives can go has left its mark.

It is not just domestically, however, that some of the comfortable assumptions on which the German banks have operated have been overturned.

Of all the world's banks, the West German institutions have been the most heavily committed in Eastern Europe. In part this commitment reflected the willingness, even enthusiasm, of some banks to support the policies of detente through financing trade. Since this trade also benefited their German customers there was even more reason to undertake the business. And many of the banks made their loans on the assumption that a Soviet "umbrella" would ensure that East Bloc borrowers always paid their debts.

That umbrella has been blown away by the Polish crisis. Events in Poland, before then events in Iran and now the Falklands crisis have combined to make German bankers much more sceptical of their country's lending policies. They remain conscious of their vital role as financiers of German exports but are convinced that to fulfil this role and take the risks associated with it more profit and a thicker equity capital base are essential.

It is increasingly the role of profit which is taking the centre stage in the strategies of German bankers. Alongside the shocks of the past two years a major reason for this is the changes in German banking law which are planned for assessing the capital adequacy of the banks.

The Banking Law at present puts a limit of 18 times capital on the volume of loans which the banks can make. For a decade it has been a limit more honoured in the breach than in the observance. Through their Luxembourg subsidiaries but also through domestic subsidiaries which are not consolidated, the German banks have been able to avoid this restriction completely. They have also been able to avoid it by lending to the Government and local authorities — lending which does not have to be backed by equity.

Foundations

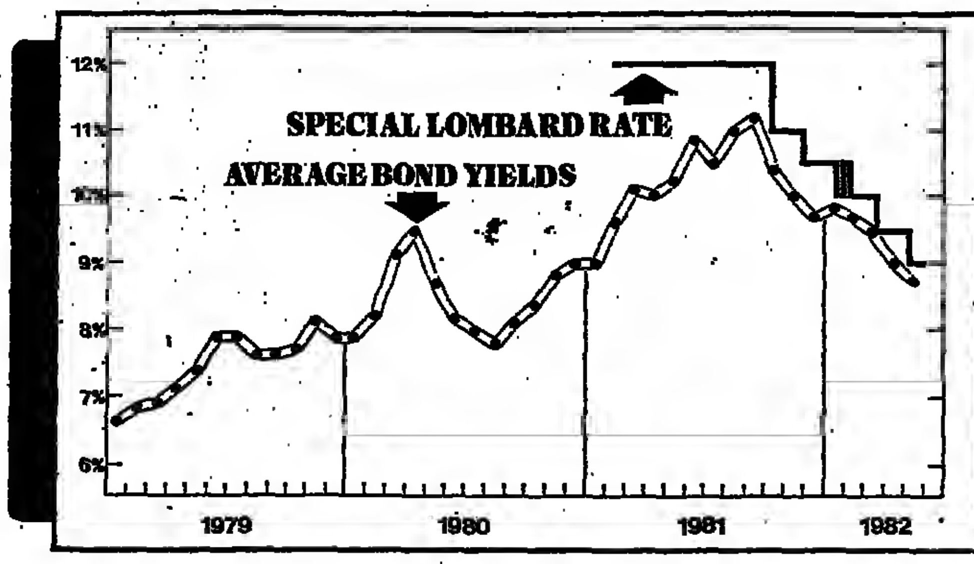
That loophole will remain. But already the Bundesbank and the Federal Banking Office have, through an informal agreement, begun to lay the foundations for a fundamental reform of German banking law which will force the banks to draw up accounts on a nationally and internationally consolidated basis to which the traditional banking laws will be applied.

The Landesbanks had originally stayed outside this "gentleman's agreement" because of their ties with the savings banks, which are conducting a separate campaign for special treatment under any banking law reform. But they too now are to supply the banking authorities with the information about their consolidated balance sheets which will eventually become the basis for the reform of the banking law. When that reform will take place, however, remains unclear.

Irrespective of the precise timing of legislative action, however, the banks are clear that in the future they will have to back their business with more capital. For most of them that means that they will have to generate more capital internally, which in turn means ensuring that they concentrate their lending on those markets where profits are best and try to ensure that those assets which are already on their books are employed most efficiently.

It is this consciousness of the importance of profits as a source of equity capital which helps to explain the increasing restraint of the German banks in lending at low margins in the international markets. It explains too why the German banks are putting increasing emphasis on services as a source of income. Fee-earning business, as opposed to lending, does not have to be backed by legally established and binding capital ratios.

In their domestic business, as universal banks, the big German commercial banks in particular are very strongly placed as commission earners. One of the challenges of the 1980s will be to see whether the big German banks can expand from this domestic base and repeat in their fee-earning business the success they had as lenders in international markets in the past decade.



CONTENTS

WEST GERMAN BANKING AND FINANCE II

West Germany's banking system is a complex of commercial, private, co-operative and public institutions. Stewart Fleming reports on this and the following two pages on events of the past year and the shifts taking place in the competitive balance.

Where the strengths lie

ALTHOUGH THE West German banking industry is widely recognised as one of the most competitive in the world, with only Switzerland boasting a denser bank branch network per head of the population, the German banking groups have traditionally each had their special strengths.

The commercial banks, for example, have historically been the dominant lenders to the corporate sector. The Landesbanks, partly because directly and indirectly their owners are local authorities and states, have been the leading force in lending to the public sector. The savings and the co-operative banks, with their dense network of branches and local ties, have dominated the retail banking market.

Increasingly in recent years, however, the search for new lending opportunities and profitable expansion has brought the various banking groups into more intense competition, although not always with the results originally intended. Thus, even today some of the big commercial banks are regretting deeply their decisions to chase aggressively after the market for medium and longer term fixed interest loans for central and local government.

The impact which these traditional strengths can have on the profits performance of the individual banking groups has been heavily underlined during the past two years of soaring interest rates. Thus, while throughout 1980 and during much of 1981 the big commercial banks (with one or two notable exceptions such as Deutsche Bank and Bayerische Vereinsbank) were struggling to maintain profitability in the face of sharp increases in interest rates, weakening corporate credit demand at home and narrowing profit margins abroad. In 1981 the savings banks and the co-operative banks had highly profitable years.

THE SYSTEM AND ITS SECTORS

Banking sector	Business volume (DM bn)	Number of banks	Number of offices	Domestic lending (DM bn): To companies and persons	To the public sector	Domestic liabilities (DM bn): Sight and time deposits	Of which savings deposits
Commercial banks	578	240	6,155	277	54	276	76
of which big banks*	228	6	3,131	118	17	141	46
Landesbanks	418	12	324	142	98	73	3
Savings banks	555	598	17,571	318	61	450	255
Co-operatives	388	2,278	19,789	202	12	236	121
Mortgage banks	358	38	69	200	101	7	†
Branches of foreign banks	52	56	101	19	†	6	†

* Big banks are Deutsche Bank, Dresdner Bank, Commerzbank and their West Berlin subsidiaries.
† Negligible.

The explantion of the profitability of these two groups lies in part in their lack of any substantial international activities—although there are exceptions to this general rule particularly in the case of one or two of the larger savings banks. In addition, however, both banking groups profited from their strong position in the retail banking market.

As consumer credit interest rates rose to between 16 and 19 per cent in the course of the year the fact that both the savings and co-operative banks have the dominant position in the market for cheap sight and savings deposits, costing from almost nothing to between 5 and 7 per cent, meant that they were able to enjoy steadily widening interest margins.

In contrast the Landesbanks, with virtually no retail business and heavily dependent on wholesale funds to finance their lending and their bond portfolios, continued to suffer from the high cost of money and the persistently inverse interest rate structure—at least until interest rates began to fall late in the year.

The extent to which the various banking groups are strongly entrenched in different sectors of the market should not be exaggerated however. The growing market share of the co-operative banking sector presents a major competitive challenge to the other banking groups, particularly in the consumer market.

All the major banking groups are these days putting great emphasis on trying to expand their business with the medium sized company sector or *Mittelstand*, a segment of the market where the banks see exceptional growth opportunities not only in terms of increased lending but also of providing financial advice and other banking services.

In the retail sector too the expansion of "electronic banking" and the increased attraction of the private customer as a source of deposits at a time of high interest rates are requiring the banks to pay increased attention to this market in order to defend market shares and realise cost savings.

Indeed, with the big commercial banks taking a much more cautious view of international lending, particularly to countries for balance of payments financing, with consumer banking entering a period of rapid technical change and with the prospect of a major surge in credit demand when the German economy finally begins to pull itself out of recession, there are grounds for believing that the domestic banking market will be the focus of much more attention and competition in the early 1980s.

The tables which accompany succeeding articles on the various sectors need to be treated with some care as firm guides to trends. Since German banks do not report on a consolidated basis the activities of subsidiaries abroad — only branches will be included—and this at a time when both commercial and Landesbanks are increasingly serving their domestic corporate customers with loans from the Euromarkets. Thus both the scale of commercial bank lending and the importance of the foreign bank sector to the German economy may be understated.

Dramatic recovery in earnings

AFTER TWO years during which the German commercial banks have been seeing their profits melt away and some of the major banks forced to cut—or, as in the case of Commerzbank, forgo—their dividends, the final months of 1981 brought not just relief but a dramatic recovery in earnings which has carried on into this year.

Half-way through last year such an outcome seemed improbable. With the surge in interest rates following the Bundesbank's drastic steps to defend the D-mark in February, and with a shadow hanging over much of the banks' international operations, there were fears that 1981 was going to prove as bad as, or possibly even worse than 1980 in terms of earnings.

Commercial Banks — Domestic Market Shares
(per cent)

	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	33.6	33.0	32.2	31.5†	31.3	30.4
Loans to private individuals	28.9	27.2	26.6	25.7	23.5	22.3
Housing loans	9.4	11.0	11.9	13.2	13.2	12.8

† Affected by change in statistical basis. Source: Savings Banks Association.

High capital market interest rates threatened the commercial banks with even bigger write-offs on their securities portfolios than in 1981. Moreover, although the banks had reacted quickly by hoisting interest rates to their customers sharply following the February tightening of monetary policy, credit demand was weakening and funding costs were up sharply too. At best it seemed the year might bring some modest widening of lending margins which would help offset the other problems.

In October, however, the picture began to brighten remarkably. In response to the startling recovery in the German current account and the strengthening of the D-mark against not just other European currencies but slowly too against the dollar, the Bundesbank began to ease short-term interest rates, which pulled long-term rates down in their wake.

By the end of the year the threat of further heavy write-offs on fixed interest securities had disappeared. Instead the banks—with varying degrees of success depending on how the experience of the past two years had encouraged or discouraged interest rate speculation—were seeing healthy profits on their bond trading portfolios and increasingly looking forward as well to swelling hidden reserves on the written down fixed interest securities in their portfolios.

At the same time the leisurely pace at which they reduced their lending rates to their customers—a policy which brought some veiled rebukes from the Bundesbank—meant that lending margins began to improve very substantially. Meanwhile, the income the banks were earning from advising and trading for their customers were boosting their commission earnings.

Commercial banks

Not all banks were, of course, profiting from these favourable trends to an equal extent. Commerzbank, still burdened with some DM 20bn of fixed interest loans from the past which were not profitable, was still unable to report a profit in its parent bank, while Dresdner Bank, also burdened with a big mismatched loan portfolio as well as close to DM100m of gold trading losses, again had to cut its dividend.

The problems of international borrowers, particularly Poland, were forcing the banks to put aside large loan loss provisions (this burden will drag on for many banks). At home the bankruptcy wave was making its impact felt on the profit and loss account, alongside the continued write-downs for AEG-Telefunken.

The flexibility of German regulatory requirements has meant that the banks have been able to burden their profit and loss accounts with loan loss provisions to the extent that their profitability has permitted. Deutsche Bank, for example, which once again emerged as the most consistently profitable of the commercial banks, added some DM 1.2bn to its *published* loan loss reserves and still boosted its net income by over a fifth. Less profitable banks are having to spread out their provisions against increased risks over coming years.

It is clear, too, however, that the banks are taking whatever opportunities they can to boost their equity capital base. Deutsche Bank's decision not to raise its dividend despite such a strong earnings gain, as well as its generous provisions policy, was one sign of this. Another was Dresdner Bank's decision again to cut its dividend.

Despite the past two years of profit problems there is no doubt that the commercial banks remain by far the most powerful single banking group in the Federal Republic. No other sector can truly claim universal banking status in the way the commercial banks can.

They have a powerful position in the retail market both in lending to individuals and in deposit taking—although, as with the other banking groups, high interest rates have made their depositors much more yield-conscious and thus made the management of the retail deposit base more complex.

Competition by the way means not just competition with other banks. It also means increased tension within the individual banks themselves between the banking division and the department responsible for advising clients to switch their savings into high interest securities issued by other borrowers such as the Government or even rival mortgage banks.

In the field of corporate lending the commercial bank remain the dominant force. Their position has been reinforced by the ready access they can offer their bigger German customers to cheaper Euromarket finance as well as by their strong international operations.

At a time when German companies have had to concentrate increasingly on exports to keep up capacity utilisation during the domestic recession the international advisory and financing capacity of the commercial banks has been an invaluable marketing aid. Their traditional ties with the corporate sector through supervisory board memberships and shareholdings (even if a few of the banks have had to reduce these stakes here and there to boost profitability) help reinforce their position.

Despite the commercial banks boast as a group, however, one of the legacies of the domestic and international problems they have faced in the past two years — and continue to face — is that they are no longer the homogenous group they once were.

Deutsche Bank has strongly reinforced its position in the past two years against its big rivals Dresdner Bank and Commerzbank, both of which have suffered sharply declining profits. Bayerische Vereinsbank is challenging Commerzbank hard and expanding its domestic banking network nationally.

Although it is clear that all the German banks are putting much more emphasis on profitability and paying much more attention to generating more equity internally through retained profits, those that have weathered the storms of the past two years best will be able to be more aggressive in pursuit of new business than their rivals.

COMMERCIAL BANKS' PERFORMANCE 1981

	Group assets (DM bn)	Per cent change on year	Parent bank assets (DM bn)	Per cent change on year	Interest surplus (parent bank) (DM bn)	Per cent change on year	Net income (parent bank) (DM m)	Per cent change on year	Dividend (DM)
Deutsche Bank	196.4	+10.0	114.5	+10.0	3.4	+31.4	242.0	+19.0	10 (10)
Dresdner Bank	170.0	+ 6.7†	79.6	+ 5.0	1.7	+14.5	139.0	−16.0	4 (6)
Commerzbank	101.3	+ 1.3	64.3	− 0.6	1.1	+14.6	Nil	Nil	Nil
Bayerische Vereinsbank	98.3	+ 6.4	56.5	+ 7.8	0.9	+16.1	101.9	+10.0	9 (9)
Bayerische Hypo	89.2	+16.0	60.1	+ 5.8	0.9	+11.0	81.8	+27.0	7.50 (7)

† Business volume.

High interest rates expose sector's weaknesses

"AFTER THE problems of the past few years I would agree that one of our main jobs is to improve our image and make sure we avoid major pitfalls in the future" was how one board member of a leading Landesbank recently described part of the challenge facing this sector.

Just how big a challenge that promises to be can be seen from the comment below by a board member of a major savings bank. The savings banks are nominally part of the same publicly-owned segment of the German banking industry. Both belong to the public, not the private, sector of the economy, with savings banks generally figuring among the owners of the regional Landesbank. But there is not much love lost between some of the bigger savings banks and the Landesbanks. "They have no function which could not be done just as easily by one of the other banking groups," was the harsh judgment passed.

At root the Landesbanks act as liquidity managers for the savings banks and as house banks and issuing houses for the local authorities in the regions where they operate. In the early 1970s attempts to break out of this mould, led by Westdeutsche Landesbank, led to one disaster after another among most of the leading Landesbanks, only the Bayerische Landesbank succeeded in avoiding trouble.

The high interest rate period of the past two years and the particular structure and functions of the Landesbanks have led to yet another critical

Landesbanks

phase for the sector. Worst hit, of course, was Westdeutsche Landesbank, which last year had to sell assets worth over DM 600m by digging deep into hidden reserves in order to avoid declaring a massive loss. The bank's owners have promised to put in fully DM 1.6m of new equity capital so as to provide a basis for further expansion after the problems of the past.

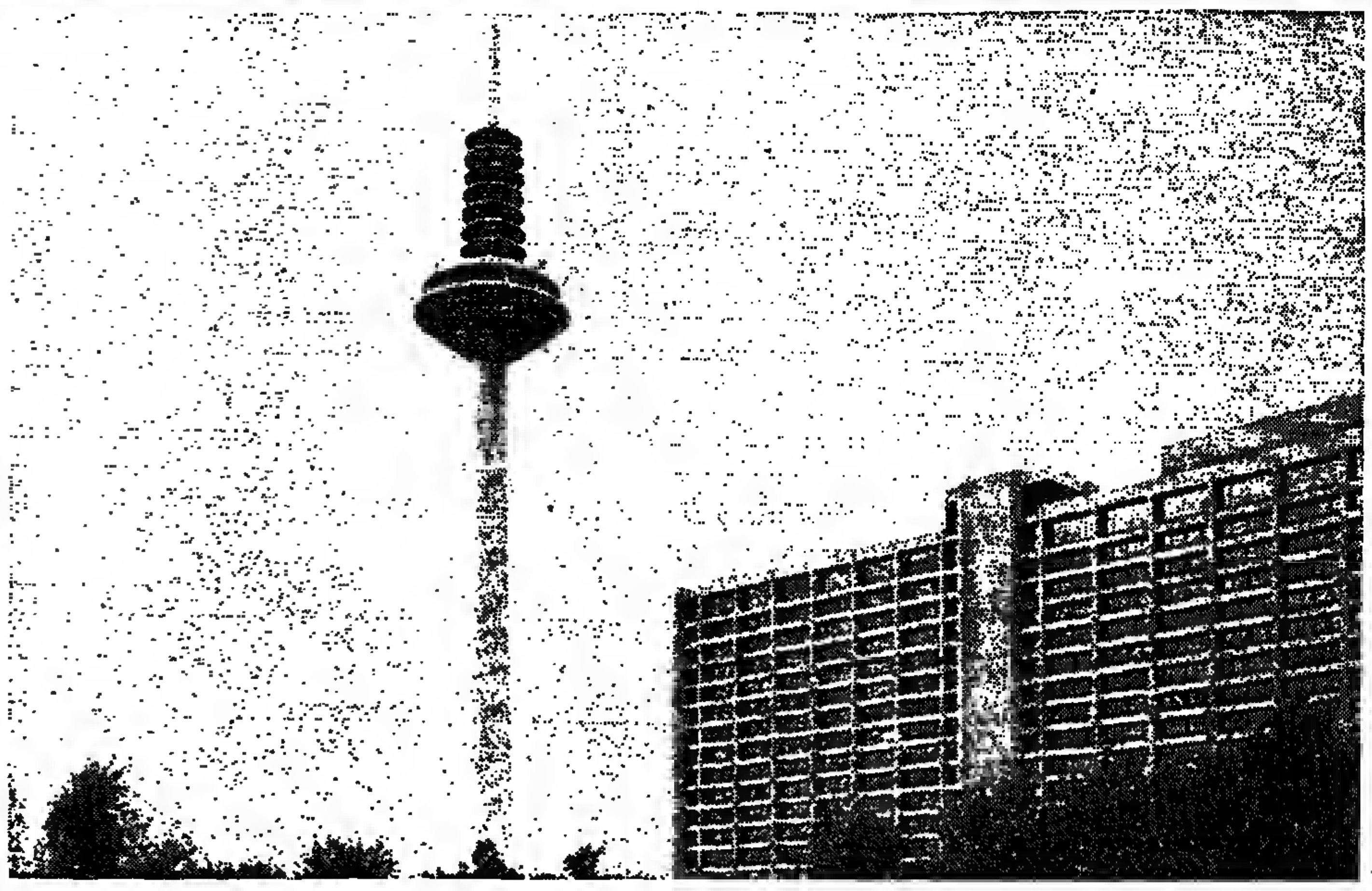
West LB's biggest problem was one shared by Dresdner Bank and Commerzbank, especially in the private sector. In the late 1970s it had invested in long-term loans at 7 and 8 per cent and found itself financing them in 1980 and 1981 with short-term funds costing at times over 12 per cent.

Landesbanks, without a cheap deposit base and acting essentially as issuing houses operating on paper thin margins, were particularly vulnerable to the unexpected period of high interest rates—and more particularly because of higher short-term than long-term rates. Even Hessische Landesbank, which had followed a very cautious policy and tried to avoid the mismatching of assets and liabilities through which the Landesbanks had made their best profits in a period of falling interest rates in the past, could not avoid suffering from last year's unexpected surge in short rates. Bayerishce Landesbank too had a tough year.

The sharp fall in rates in the past few months has substantially eased the problem. But the fundamental change in the interest rate landscape which has occurred in the past two years, with the German interest rate cycle apparently headed into a period of much less predictability and perhaps even volatility, promises to make life hard for Landesbanks in the future too.

They are countering the problem by paying much more attention to liability management, a solution which may avoid huge losses on mismatching but does nothing to solve the underlying problem of narrow margins and the lack of a broad business base in, for example, retail banking or the close ties which the commercial banks have with the corporate sector.

Some of the bigger commercial banks which have suffered in the past two years from their long-term fixed interest lending are hinting that this part of the corporate financing market is something they will happily leave to the Landesbanks in the future. But for the Landesbanks to play a big role here will require healthy injections of new equity capital to support volume growth—and capital promises to be in short supply.



The Bundesbank building and the television tower at Ginnheim

LANDESBANKS—DOMESTIC MARKET SHARE

(per cent)

	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	15.5	15.4	15.0	14.3	14.3	14.1
Loans to private individuals	1.7	1.7	1.1	1.1	1.7	1.9
Housing loans	14.4	13.7	13.1	12.3	11.7	11.4†

† Affected by change in statistical basis. Source: Savings Banks Association.

THREE LARGEST LANDESBANKS IN 1981

	Total assets (DM bn)	Per cent change on year	Operating profit (DM m)	Per cent change on year	Interest surplus (DM m)	Per cent change on year	Net profit (DM m)	Per cent change on year
Westdeutsche	124.2	+8.0	726†	+79.0	653	−14.2	71	+16.0
Bayerische	90.8	+7.5	289	−14.1	514	− 1.8	114	− 1.5
Hessische	59.1	+8.5	40	−60.0	180	− 2.0	45	−30.0

† Includes exceptional profit from asset sales.

Cautious guardian of the currency

WITH ITS decision on May 6 last to abandon the "special Lombard" system of providing short-term credit to the banking system, and to re-open the normal Lombard credit window, the Bundesbank (the central bank) signalled that it believes the end of an unprecedented period of monetary restraint in the Federal Republic is now approaching.

For over two years, beginning late in 1979, the German central bank had pursued a monetary policy aimed at maintaining the domestic and international stability of the German currency in the face of, for the Federal Republic, the unprecedented challenges of a soaring current account deficit, rising inflation and stratospheric American interest rates.

By the beginning of May it was becoming increasingly clear that the central bank's rigorous and persistent defence of the value of the currency was likely to achieve its objectives.

That the central bank itself recognises that there could still be some potentially treacherous currents ahead was demonstrated by its decision to peg the normal Lombard rate at the same 9 per cent level

Bundesbank

which ruled on February 19 last year. It was then that the dramatic decision was taken to introduce a "special Lombard" at 12 per cent, a move which within a couple of months helped to push up interest rates right across the maturity spectrum by around three percentage points.

A 9 per cent Lombard rate, compared with the 9½ per cent special Lombard which it replaced, means that short-term interest rates are still at levels which cannot be described as heralding a period of easy money. Short-term funds are costing businessmen and consumers 12 to 15 per cent. Moreover, the central bank last month studiously avoided taking the step which many bankers wanted, namely a cut in minimum reserve requirements.

Such rates are, however, a long way down from the 15 to 19 per cent which short-term funds were costing in the middle of last year.

The Bundesbank began cautiously to tighten its monetary policy late in 1979 in response to fears that the economy might begin to overheat unless action was taken to rein it in. But it was not until a year later, after the central bank had (as it turned out) falsely signalled a shift towards cheaper credit in September of 1980, that the domestic and international crisis which eventually forced it to abruptly alter course began to gather pace.

It was in part this false step, interpreted in the financial markets as a sign that the German authorities were underestimating the challenge they faced, which began to erode confidence in the German currency. Underlying economic developments were, however, pointing in the same direction.

By late 1980 it was clear that the German economy was plunging towards a world record current account deficit of DM 30bn and that inflation, although easing from its early summer levels of 6 per cent, was showing no signs of abating. Political pressures too were working against the German currency. The mounting crisis in Poland coupled with the election of Ronald Reagan as American President were both working in the direction of attracting funds into the dollar and persistent high U.S. interest rates were reinforcing the dollar's pull.

It was against this background, with funds pouring out of the D-Mark and the currency plunging from around DM 1.80 to the dollar to over DM 2.20 and weak against other European currencies, that the central bank in February of last year finally moved aggressively to defend the currency.

The results of the decision to set a "special Lombard" rate of 12 per cent without any guarantee that funds would always be available at this level as the banks required became increasingly apparent as last year progressed.

The German economy, which was already slowing, has found itself locked in a period of stagnation. Real economic growth petered out in 1981 and unemployment doubled to almost 2m between the end of 1980 and the beginning of 1982. The overall economic performance masked a marked divergence between the development of the domestic economy, where real output declined by over 2 per cent, and the export sector, which has enjoyed boom conditions.

This combination was just what the Bundesbank needed for it damped down import demand while exports, helped by the weakness of the D-Mark against the dollar, surged. The current account deficit began to improve dramatically during 1981 falling from DM 30bn to DM 17bn. In the current year a current account surplus is confidently expected.

At the same time inflation, which peaked at an annual rate of 6.7 per cent in October of last year is widely expected to fall to 4 per cent by the end of the year.

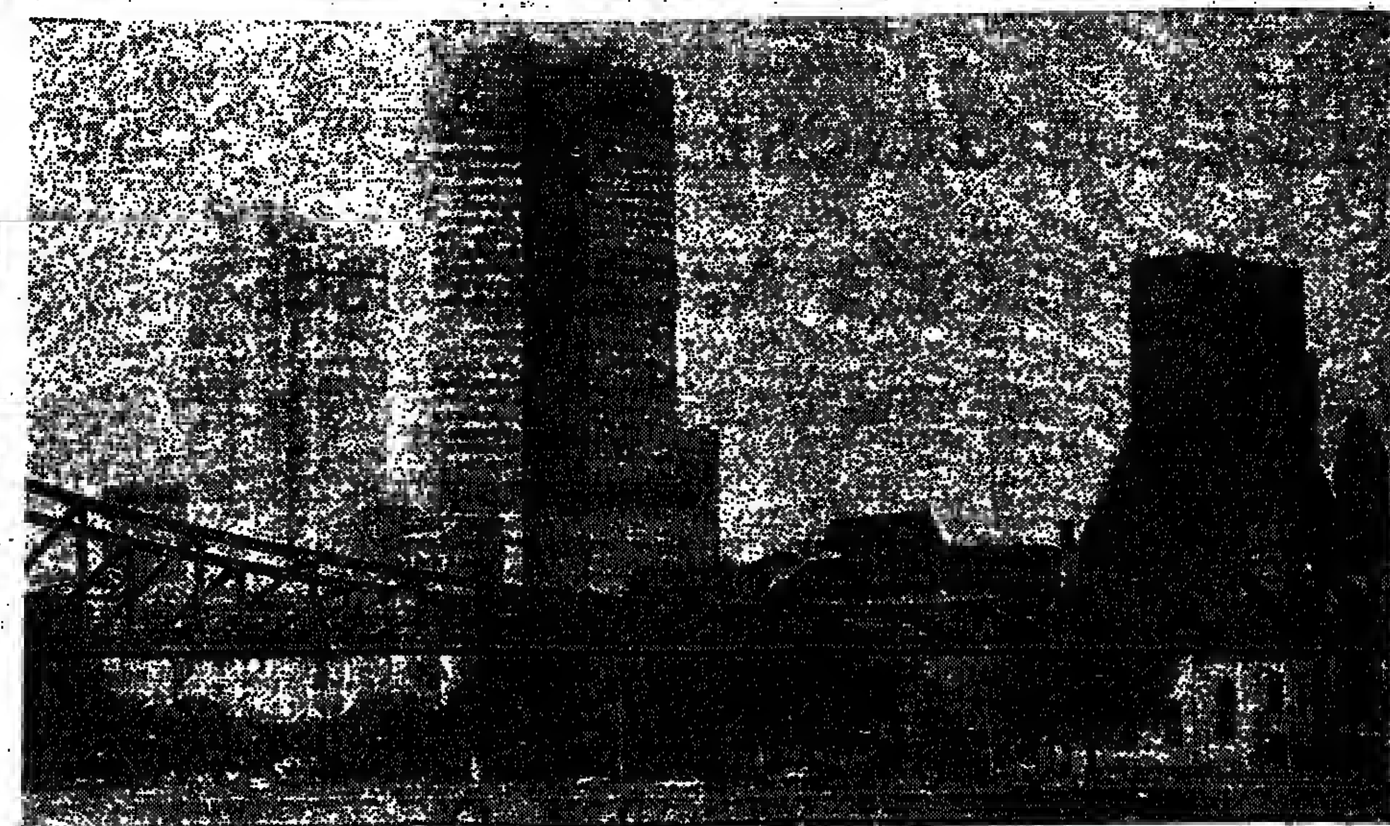
A declining current account deficit, falling inflation and increasing scepticism in the international financial markets about the economic policies of the Reagan Administration have enabled the German authorities to achieve some "de-coupling" from U.S. interest rates which has allowed them steadily to ease German interest rates from the peaks seen in the middle of last year.

The process began in October when the Bundesbank cut the "special Lombard" rate for the first time from 12 per cent to 11 per cent. That move took place barely six weeks after the German currency had been quoted on the foreign exchange markets as low as DM 2.50 against the dollar. In subsequent months the central bank has steadily encouraged German rates down, "fine tuning" the domestic credit markets while successfully avoiding too rapid a relaxation of monetary policy which could have resulted in setbacks on both the international currency markets as well as the domestic credit markets.

The central bank's performance has underpinned its reputation in the international financial markets for independence and sound judgment. It has also enhanced the reputation of the central bank's president, Herr Karl-Otto Pöhl, who came into office at the beginning of 1980 amid suspicions that his ties with the Social Democratic Party might lead the Bundesbank in the direction of making too many political compromises. These fears have been laid to rest by the central bank's determined pursuit of policies aimed at stabilising the value of the D-mark.

The central bank's critics continue to argue that it is moving too cautiously in view of the weakness of the domestic economy and the urgent need to halt the slump in capital investment spending which has gathered pace this year. Thus although the Bundesbank has made major strides in helping to ease the Federal Republic's external economic problems the challenges of unemployment and the need to improve the underlying competitive capacity of the economy remain. These are problems over which the central bank's influence is much less pronounced, however.

WEST GERMAN BANKING AND FINANCE IV



River Main skyline. Left to right: Dresdner Bank, BfG (Bank fur Gemeinwirtschaft) and Commerzbank

Aggressive moves to defend market strongpoints

"OUR TOP priority is to defend our market position," is bow one leading savings banker described the business strategy of the savings banks, the second most powerful banking group in West Germany.

He might have added that tactically the savings banks have decided that the best form of defence is attack, for they are certainly not waiting to find out where their competitors will strike next. Instead they are out pursuing their own initiatives and hoping to keep tbeir rivals off balance.

In the field of electronic banking, for example, they have moved ahead aggressively and will by the end of the year have around 700 cash dispensers in operation, far more than any of their rivals. All of tbem can be operated by the ubiquitous "Eurochequecard" wbich will be the foundation of the German banking industry's paperless payments system of the future.

Symbolically too the savings banks bave been making the point that in the market where they are the strongest force, the retail or consumer banking sector, they are no longer prepared to tag along as second fiddle to tbe former pace-maker Dr Eckart van Hooven of Deutscbe Bank, tbe man wbose vision and energy bave helped to pull both Germany's and Europe's retail bankers closer together.

Thus in the field of payments systems the savings banks destroyed part of Dr van Hooven's plans by going it alone in the field of travellers' cheques with American Express. And it is Herr Wolfgang Starke, general manager of the Savings Banks Association in Bonn, who is slated to become chairman of the new Common Payment Systems Company embracing the major banking groups in the retail banking market.

But perhaps the most controversial move, and one openly opposed not only by the rival banking sectors but also by the bank regulators, is the suggestion that savings banks sbould be allowed to count the guarantee from their owner, the local governments in the areas where they operate, as equity capital to the extent of 20 per cent. This move, which is being pursued in Bonn, would increase the savings' banks lending capacity under German banking law by perhaps DM 70bn to DM 80bn, a change which could tilt the competitive balance in the savings banks' favour.

The arguments the savings banks put up to support their case include the need to compensate for disadvantages the savings banks suffer from their basic structure and also to compensate for Inequalities resulting from the corporation tax system and in comparison with the co-operaitive banks.

They point out, for example, that because they pay no dividends the two-tier corporation tax system works against them; that because they are local authority owned, and local authorities in Germany are stretched for cash these days, they are dependent on retained earnings for increasing their capital and cannot go to shareholders for funds like the commercial banks; and they draw attention to the restrictions they suffer in terms of having to back their loans with collateral and in terms of being unable to provide full international banking services including foreign exchange operations.

Savings banks

In theory the latter services are provided by the Landesbanks, which are part owned by the savings banks. In practice the relationships between the savings banks and Landesbanks are so often strained that co-operation is but a distant dream.

Pity for the predicament of the savings banks has its bounds, bowever. At least on the Bundesbank figures they have been increasing their market shares in most of the major lending sectors in recent years and have become increasingly dominant in lending to the private market.

They have also weathered the recent period of high interest rates rather better than some of their rivals — the co-operative banks excluded. Lending margins in 1981 for the savings banks as a group increased from 2[illegible] per cent of total assets to 2[illegible] per cent for example, reflecting the advantages of the dominant position of the savings banks in the market for cheap savings deposits and the high lending rates of new businesses.

The period of high interest rates and the growing interest rate consciousness among depositors that this has produced is of course a clear warning to the savings banks that times are changing. Last year saw virtually no growth in cheap savings deposits; the modest increase that there was was due to the accumulation of interest payments on existing deposits not new savings. With all banks paying more attention to liquidity management competition for cheap deposits has increased and will continued to increase.

Overall, however, with ownership of around 40 per cent of the banking offices in the Federal Republic and with over half the Eurocheque cards issued by savings banks they are well placed to maintain their dominant position in their traditional retail banking market.

Holding their own in the market for corporate business now that the big commercial banks have set their bearts on winning a bigger share of the medium-sized company market promises to be a much tougher task.

SAVINGS BANKS—DOMESTIC MARKET SHARE
(per cent)

	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	18.9	19.2	19.6	20.7	21.9	22.5
Loans to private individuals	32.0	34.0	35.4	36.1	37.2	37.5
Housing loans	27.9	27.6	27.9	28.4	28.7	27.5†

† Affected by change in statistical basis. Source: Savings Banks Association.

Countrywide roots prove source of dynamic growth

A LOOSELY bound network of some 4,000 individual banks has in the past 20 years emerged as the most dynamic banking group in West Germany. This is the co-operative banks.

With their roots back in the "self-help" societies of the last century, the co-operative banks have a long history, but it is only in the post-war period, and particularly since the merger of tbe two co-operative banking associations, the Volksbanken and the Raiffeisenbanken, that the co-operative banks have been able to make the most of their advantages and increase their market share, at the expense especially of the savings banks.

Thus today the co-operative banks can claim a market share of the Federal Republic's banking sector of around fifteen par cent (DM386bn) measured in terms of total assets. Tbis compares with around 8 per cent in 1971, when the balance sheet volume was DM22bn.

Ona of the clues to the growth of the co-operative banks is the number of branches they have. With almost 20,000 offices and branches throughout the country they are by fer the strongest banking group.

Tbe number of offices tbe co-operative banks operate is one of the factors wbich gives them a closeness to their customers which probably no other banking group can match, for alongside the branch network is the added factor that each of the 4,000 independent credit co-operatives is owned by its members and bas a supervisory board made up of the membership. In the past 20 years the membership of credit co-operatives bas doubled from 4m to 9m.

This membership is the original source of the banks' equity capital, and here lies one of the contentious issues of the day. For in addition to paying in capital the member guarantees to meet a call for new capital up to a certain level should the credit co-operative get into difficulties. A proportion of this uncalled capital is, under German banking law, counted under the regulations

Co-operative banks

aetting out bow big a loan book a bank can bave as e multipla of its equity—a concession which the savings banks say gives the credit co-operatives an unfair advantage.

In the mid-1970a it was agreed that the credit co-operatives could expand their business to non-members and that too has belped their growth. But alongside the nearness to their customers and the ability therefore to make quick decisions and adjust rapidly to market conditions, the co-operative banking sector bas also bean expanding its range of services. Where a relatively small co-operative bank (the average total assets of individual co-operatives is only around DM 70m) lacks the expertise to provida a service, other parts of the co-operative sector will often be able to help.

As well as helping to manage the liquidity of the co-operative banks and the nina central institutions of the sector, the D-G Bank in Frankfurt, the central banking institution of the co-operative banking sector with assets of DM 65bn, bas developed into a universal bank itself, helping to provide international banking services for the co-ops. The co-operative movement also has its own building society, tha Bausparkasse Schwäbish Hall, and insurance company.

Another factor which has undoubtedly contributed to the market strength of the co-operative banks is the improvement in management. In 1957 there were 11,795 individual co-operatives compared with the 4,000 of today. Mergers and greater emphasis on training and management have enabled the sector to work more effectively. So too has the merger of the two sectors, since initially one segment of the co-operative sector was identified mostly with the farming community, the other more with the towns.

The substantial—15 per cent — share of tbe total banking market which the co-operative sector has won should not however mislead tha observer into thinking that the co-operative banks are as broadly based as their competitors. Their strength is undoubtedly in the personal lending market and in loans to the self-employed, including farmers. This has been a big advantage in recent years. The explanation for the 42 per cent increase in the sector's operating earnings in 1980 at a time when most banks were suffering plunging profits and for the growth and profitability recorded in 1981 lies in part in their customer base.

Tha co-operative banks have around a 25 per cent market share of cheap savings deposits but they lend their funds generally short-term at floating interest rates — a structure which has brought fat profits during the high interest rata period of the past two years. One statistical point needs to be added, namely that the Bundesbank's figures for profitability abstract the DG Bank and the central banking institutions of the co-operative sector, which have been labouring under the burden of bigh interest rates.

CO-OPERATIVE BANKS—DOMESTIC MARKET SHARE
(per cent)

	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	13.8	14.2	15.1	16.1	16.9	17.3
Loans to private individuals	22.1	22.6	23.5	24.2	24.3	24.5
Housing loans	10.4	11.1	11.8	12.5	13.1	13.2†

† Affected by change in statistical basis. Source: Savings Banks Association.

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Stock markets need to play bigger role in equity finance

"IT WOULD be very dangerous if the German banking industry and official capital market policy were to come to accept the narrowness and low capacity of the German share market." This view stated bluntly in the latest annual report of the Bundesbank the West German central bank, highlights one of the longest lasting problems facing the country's financial markets—namely, how can West German stock exchanges become as efficient as the share markets of other major industrial countries.

By comparison with most other leading industrialised countries the West German stock exchanges play a minor role in supplying the risk capital urgently needed by the corporate sector, a fact reflected in the dangerously low level of companies' equity financing.

As the Bundesbank makes clear, the long apparent contraction of German enterprises' capital base and their inadequate protection against risks are ominous developments. "It must be emphasised that the capital obtained through the market by issuing shares is not an adequate counterweight, to the low level of capital formed by retaining profits."

Despite the ability of some industrial sectors to compensate for falling domestic demand through higher export business, corporate profitability generally has been under heavy pressure in the last two years, falling by 25 per cent in real terms. Prices in the share market were particularly depressed last year by the deterioration in profitability in many sectors of the economy up to the summer.

In recent weeks the stock markets have been surprised by some cuts in dividends which have resulted from last year's difficult trading conditions. For instance, Continental Gummi Werke, the country's leading tyre producer, recently announced that it would have to omit a dividend payment altogether for 1981, after suffering a major fall in profits and barely breaking even last year. The lack of a dividend came as a particular disappointment after Continental had resumed payments in 1980 for the first time in eight years.

Other companies forced by dwindling profits to cut dividends in recent weeks include Pfaff, Horten, the country's fourth largest stores group, which has been hard hit by the decline in retail expenditure, Brown Boveri, the electrical engineering group, Kali und Salz, the chemicals concern, and Varta, the world's third largest producer of batteries. With falling dividends too at Volkswagen and BMW, no dividend for the second year running at Commerzbank and a further cut at Dresdner Bank following the dividend reduction of 1980, the misery of squeezed profit margins has been spread over many sectors.

It would be wrong to see a picture of unrelieved gloom, however, despite the inclusion of several illustrious names in the list of companies cutting payments to shareholders. Of the first 200 companies making dividend announcements for 1981, 129 held payments unchanged, 31 raised dividends and 40 were forced to reduce payments. Given the stubbornly continuing recession the picture might have been far bleaker.

In the first four months of this year the West German stock market has in fact mounted a strong rally—to the surprise of many observers—although it retreated again into a period of quieter consolidation during the past month. The index of the Frankfurter Allgemeine Zeitung reached a peak for the year in early April of 239.45 compared with a low in mid-January of 218.35. The market reached a peak last year in July of 243.47 after a low in early February of 215.75.

In the space of seven weeks from late January to early March this year German share prices advanced by a healthy 7 per cent, bringing a new air of confidence to the country's stock exchanges even though in a longer perspective there is still much ground to make up before historical peaks are scaled again. Share prices at their best this year have still

Risk capital

KEVIN DONE

been nearly 17 per cent lower than in the autumn of 1978, the highest point in the post-war period, and they were still 4 per cent below last year's high.

The recovery in the early months of this year in share prices came all the more surprisingly as German stocks appeared to be bucking the trends of other major international markets. According to the Hamburg-based Vereins- und West Bank the rally was "in striking contrast to the trend in certain other world markets, such as the U.S., Canada and Japan, where prices have been easing for quite some time, and it does indeed indicate that the German equity market is able to shrug off the international consensus. Intervening periods of consolidation apart, we expect this trend to continue."

By the beginning of June share prices had fallen about 4 per cent below the early April peak, with nearly all sectors suffering setbacks, and it remains to be seen whether the loss of interest is only a temporary period of consolidation or whether it forebodes a longer period of retrenchment.

The main reasons for the recent relative lack of enthusiasm appear to be an upsurge in profit-taking, international tensions—particularly in the Falkland Islands and in the Middle East—and the continuing attractiveness of certain sectors of the bond market.

More promising signs for the West German economy do not yet appear to be strong enough to support a sustained recovery in share prices, although factors such as falling interest rates, slowing growth in inflation and the dramatic improvement in the country's external position, with the virtual disappearance of the last two years' massive current account deficit, did help the rally in the spring.

The country is still suffering from a split economy, however, with companies dependent chiefly on domestic demand still suffering from falling or stagnating sales and new orders, while companies in strong export sectors have been able to compensate for falling domestic orders by selling more strongly abroad.

Last year, whenever there was a rally in the German stock markets, it was generally inspired by foreign investors, whose net purchases of equities and mutual fund shares totalled some DM 2.2bn in 1981, or more than three times as much as in 1980.

Interest has been particularly strong from certain key Middle East investors and there have been persistent rumours that Kuwaiti interests have now assembled a holding of around 25 per cent in Hoechst, West Germany's largest chemicals company and the largest pharmaceuticals company in the world.

Interest in German equities from the Middle East in the early 1970s forced several major companies to introduce limitations on voting rights. In the meantime Kuwait has built up significant interests in companies such as Daimler-Benz, Korf Stahl, Volkswagen do Brazil, the Brazilian subsidiary of VW, and Metallgesellschaft, while the state of Iran still has holdings in Krupp and Deutsche Babcock.

Foreign investors could be attracted in by the continuing relative weakness of the D-mark against the U.S. dollar and by the prospect of brighter corporate profits in the current year.

Cost pressures are visibly starting to abate, with import prices—not only for oil and oil-related products but also for other commodities — showing only modest month-on-month rises. The trades unions have already agreed to moderate wage settlements in most major sectors of the economy, below the rate of inflation, and borrowing costs are clearly on the decline.

Earnings should at least be maintained after last year's steep fall, but it could well be that a more marked recovery will have to await a more general pick-up in the economy, which though promised for the second half of 1982, is still showing little sign of materialising.

Short-term rallies in the West German equity markets will do little to overcome the basic weakness of the share markets as a source of risk capital, however. As the Bundesbank points out: "In view of the medium-term tasks ahead of it the German business community urgently needs an efficient market for risk capital. Every effort should be made to render the German share market so attractive to enterprises seeking capital and security buyers interested in equities that, in the long run, it will become as efficient as the share markets of other major industrial countries."

According to the West German central bank such measures should include the public limited company under company and tax law with the aim of making this form of organisation more attractive also to medium-sized and smaller firms. The banks too are called on to make it easier for enterprises to approach the stock exchange. It would be incorrect to assume that there is a lack of risk capital in Germany, says the Bundesbank, "but tax concessions and supposed or real advantages presented by other forms of organisation quite frequently direct such capital into economically dubious channels."

Essential commitment to a world presence

AT THE end of 1974 the foreign branches of West German banks had a business volume of DM [illegible]bn. At the end of last year the figure had risen to DM 120bn. This rapid growth is just a partial indicator of the extraordinary growth of the German banks overseas—partial because the data exclude the business of the foreign subsidiaries in places such as Luxembourg where a large part of the German banks' foreign expansion has taken place free from the constraints of German banking law.

The commitment of the German banking industry abroad is heavily concentrated, moreover, on a relatively few major institutions—in the main the big commercial banks. Thus the savings banks, the single largest banking sector, must carry out the bulk of their foreign operations through the Landesbank which they partly own. The co-operative banking sector is dependent on its central bank, the DG Bank in Frankfurt, for much of the foreign business services it can offer.

Thus it is a relatively small number of the biggest and most powerful banks—commercial banks such as Deutsche Bank and Landesbanks such as Westdeutsche Landesbank—which are the flag carriers for the German banking industry abroad. Deutsche Bank for example, which as a group has total assets of around DM 196bn, conceded that around 40 per cent of its business volume and earnings come from "foreign business." The term is open to a dozen different definitions but it gives some idea of the importance of overseas operations to the bank.

After the crisis and alarms which have struck the international banking markets of the world in the past two years—shocks such as the Polish debt rescheduling, the collapse of major companies such as Braniff and the continuing problems of groups like International Harvester — it is no surprise that the shareholders of the big German banks no longer see the banks' foreign operations as the unmitigated blessing they once seemed.

Commerzbank's chief executive Dr Walter Seipp spent some time at the bank's annual meeting this year explaining why, after the bank had written off 10 per cent of its DM 600m non-guaranteed Polish commitment, he still felt that it was vital for the major German banks to continue to operate in international markets. Dr Wilfried Guth, joint chief executive of Deutsche Bank and the man responsible for the bulk of its international business, stressed to the bank's shareholders that despite its heavy international commitments the centre of its operations is and will remain West Germany.

For banks of this size, as Dr Seipp pointed out, the world is a single market. When competitors from the U.S., the UK and Japan, for example, are operating around the world and looking for customers too in the Federal Republic itself, the major German banks cannot afford to limit themselves and the range of services they offer just to their domestic market or they will risk losing part of that, too. Like other international banks they must also be in a position to tap the different international funding centres—New York, Hong Kong or London—and, especially at a time when major

International business

STEWART FLEMING

multi-national companies are putting so much effort into foreign exchange business, be in a position to provide such services worldwide.

But above all the German banks feel themselves committed to international operations because of the heavy export orientation of German industry and because of the opportunities presented by the direct investments which their corporate customers at home have made and are making abroad, especially in the most attractive markets such as the U.S.

That said, they have also become painfully aware that too uncritical a pursuit of growth in foreign markets, even with the justification that they are carrying out their patriotic duty and supporting German exports, is foolhardy. Above all, the economic and political crisis in Poland and the repercussions in the rest of Eastern Europe have convinced many German bankers of the dangers when making lending decisions of relying too heavily on comforting theories and warm feelings of pride in serving both country and customer.

The German banks are, quite simply, disproportionately committed to the East Bloc, with, for example, one-fifth of Poland's debt on their books. The provisions which they are having to put aside against this risk will burden their profit and loss accounts for several years to come. This helps explain why German banks have cut back drastically their East Bloc lending, restricting it to short-term trade finance through letters of credit, even though some of their industrial customers have been heavily dependent on East Bloc trade.

There is thus unanimity that the days of untrammelled growth in international markets are over for the German banks, as their declining role in the syndicated Eurocredit market shows. The problems the Soviet Union has had and continues to have getting new credits from German banks and the switch in East Bloc lending to short-term financing are one sign of this. The fact, as a result of the Falklands crisis, that some German exporters are finding it hard to raise finance for exports to Brazil, is another.

In the background too, of course, is the fact that the banks themselves are expecting, as a result of proposed banking law reforms, soon to be required to back their foreign business with more capital. As the much increased loan loss provisions and write-offs in the German banks' balance sheets show, the banks themselves are much more aware of the need to have a thick equity capital cushion in order to cope with the added risks in international markets.

There is no question of the leading German banks pulling back from international markets. On the contrary more and more of the smaller institutions are having to set up overseas operations or strengthen them in order to finance their domestic customers. But there is a much more cautious assessment of risk and profit, partly as a result of the weak earnings of the banks in the past two years and a much more careful judgment of where and how to expand abroad. In this respect even more attention is being paid to the North American and Pacific Basin markets.

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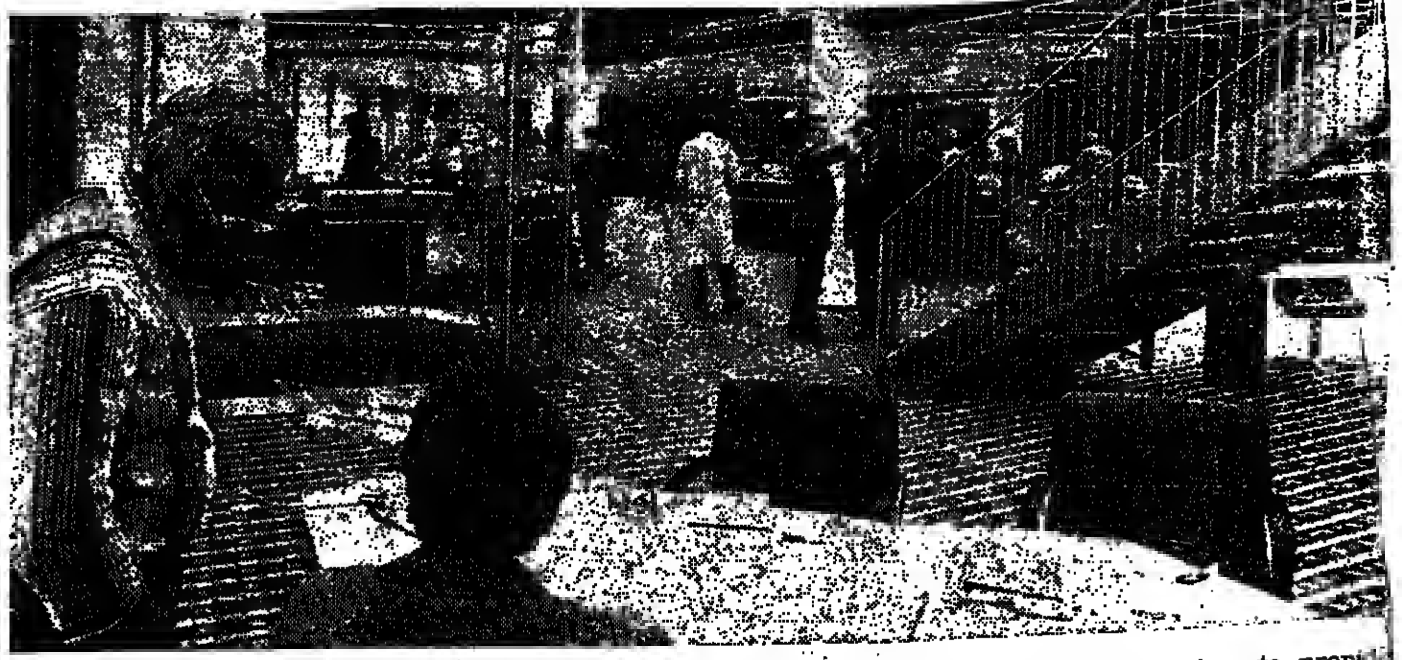


The main banking hall of the refurbished Dresdner Bank building in Bonn. The layout aims to provide customers with the best available service and advice.

Long struggle in search of a unified approach

AT FIRST glance there appears to be agreement among West German bankers on the need for a unified approach to the rapidly growing business of payment systems — cheques, travellers' cheques, plastic cards and the electronic transfer of funds.

This agreement, however, exists only on the surface. The reality is that German savings banks, commercial and co-operative banks have achieved a fragile consensus on the need to co-operate in developing a nationwide payments system for the 1980s.

Behind the superficial agreements setting up a new Common Payment Systems Company is a history of struggle and conflict among leading personalities in German retail banking.

What is at stake? The debate concerns the development of a mass card payment and cash dispenser system for German consumers, to be based upon the 15m Eurocheque guarantee cards in circulation. In addition there is the question of Eurocard, the upmarket travel and entertainment card which is Europe's answer to American Express.

There is also the tangled question of travellers' cheques, with Amex and Thomas Cook working to lure different segments of the German banking community into their networks. Beyond these exists a nearly-unanimous enmity toward Visa, the U.S.-based payment system group which is seeking to penetrate the German market with Visa cards issued by a Bank of America office in Frankfurt.

Eurocheque is the successful multi-currency cheque fathered partly by Dr Eckart van Hooven of Deutsche Bank. Last year Germans travelled abroad and wrote more than DM 300m of Eurocheques in foreign currencies. But the system is paper-based and most bankers agree that in future paper systems will prove too costly and less efficient than the new electronic technology which is revolutionising retail banking around the world.

As a result, German bankers are planning to develop the 15m Eurocheque guarantee cards into a new system, a plastic cheque or debit card. The cards are being equipped with magnetic stripes which will enable them to be used in point-of-sale terminals in large department stores such as *Hertie or Kaufhof.*

Eventually, a customer will be able to use the Eurocheque card to make a purchase and the amount will be debited automatically from the bank account. The paper cheques will still be required, however, for smaller shops.

The Eurocard is an upmarket piece of plastic, linked into the MasterCard International system of 3m merchant outlets around the world. This loss-making German card system last year accounted for DM 1bn of sales turnover; there are nearly 200,000 cards in circulation.

The Eurocheque and Eurocard are two of the three elements of a system which German bankers hoped to put together in a new Common Payment Systems Company. But a series of disagreements between the savings and commercial banks has forced the bankers to discard the idea of unity on travellers' cheques, the third leg.

The discord concerning travellers' cheques, although not of earthshaking financial import, illustrates the problems which face the German banking community in co-operating on payment systems. The trouble started a few years ago when Dr Eckart van Hooven of Deutsche Bank garnered support for a plan creating a Europe-wide bank consortium to be called Euro-Travellers Cheque International (ETCI). The idea was that ETCI would purchase Midland Bank's Thomas Cook subsidiary and form a new travellers' cheque system, ETC-Cook.

But American Express, the world market leader, succeeded in persuading the German savings banks their travellers' cheque interests would be better served by linking with Amex in a non-exclusive three-year sales agreement. With more than 50 per cent of the private bank customers in West Germany, the savings banks proved a powerful force.

Because the German market was regarded as the most attractive in Europe, the ETCI consortium plan fell apart last year when German banks failed

Payments systems

ALAN FRIEDMAN

to reach a consensus on travellers' cheques. A series of recriminations followed, but the apparent political outcome was a strengthened voice for Herr Wolfgang Starke, general manager of the savings banks, and a shrinking power base for Dr van Hooven and the commercial banks.

Herr Starke will become company chairman with savings banks and commercial banks each taking a 40 per cent stake and the co-operative banks owning 20 per cent. A DM50m capital injection is planned and the new company will consist of the merged Eurocard and Eurocheque systems, but no travellers' cheques.

Now the savings banks and the co-operative banks have decided to sell Amex cheques. Deutsche Bank, meanwhile, plans to sell Thomas Cook cheques which carry two additional symbols—those of ETC and of MasterCard. The search for a Cook-ETC cheque was fraught with so many difficulties that when the product was finally launched on a go-it-alone basis by Cook it looked fairly confusing—three different symbols on one cheque.

At Herr Starke's office in Bonn, the view of the savings banks on German bank co-operation was made clear: "We want to co-operate where we can, but if we don't like the proposals, as in the travellers' cheque, we will go our own way."

The savings banks have already decided to instal 700 cash dispensers by the end of this year, a much larger number than the commercial banks are planning.

Cash dispensers reduce staff costs, which is much needed by savings banks employing several cashiers per branch. Commercial banks have only one cashier per branch.

Bankers close to the thinking of the savings banks suggest that although every attempt will be made to co-operate on cash dispensers, cards and other matters, the concept of one payment system in West Germany may break down in future. There is some resentment among senior savings bank executives at the predominant position carved out by Dr van Hooven.

In Frankfurt, Dr van Hooven sits back in his chair and smiles: "Starke is going with Amex. We are going with Thomas Cook and there is a common opinion among commercial banks in favour of Cook."

The crucial point, says van Hooven, is "whether we can be united in the payments industry over a common instrument." His hopes for the Eurocheque card as such an instrument are high.

Perhaps the one subject about which all bankers from Frankfurt to Bonn can agree is their dislike of the Visa effort to penetrate Germany. The main reason for this hostility is the view that Visa cards represent a non-bank instrument which is inflationary and could siphon off precious personal funds from bank accounts.

Visa has failed to secure any German bank as an issuer of its card, despite years of trying. Instead, a staff of 75 Bank of America employees in downtown Frankfurt try to sell the card through direct-mail campaigns. B of A claims 50,000 cards in circulation.

But Visa's biggest mistake was its attempt to issue the Bank of America-backed cards through BMW, the German auto manufacturer. The idea was to tap the 60,000 BMW car owners as a market and issue them with plastic cards which had both Visa and BMW on the front.

Germany's top bankers pulled together on this matter and conducted a subtle campaign to block the BMW programme. As a result the BMW name will not appear on the cards and the scheme looks likely to fade; at present there are only a few hundred cards out.

On only one occasion did a German banker extend an olive branch publicly to Visa—last November Herr Starke approached Visa president Dee Hock at a conference in London and offered to double the number of merchants accepting the Visa card in Germany if Hock would agree to stop trying to issue the card through German banks.

Mr Hock refused, saying this would contradict Visa policy. Some Visa-Starke discussions did ensue, but Herr Starke says it was "very difficult to co-operate with Visa. They are very complicated people.

"We tried to come to an agreement between the Visa system and the German banking system," explains Herr Starke. "We don't think that will be possible."

Then, leaning forward and raising his voice, Herr Starke added: "I will say this to you on the record. This is my conviction: There is no possibility of dealing with Visa."

In Frankfurt, Dr van Hooven says he is not worried about the prospect of a Visa incursion. "The BMW programme did not work."

Mr Jim Haywood, B of A's director of Visa (Germany) said there is "no question about it—it is a hostile market out there." Mr Haywood said Visa would become more aggressive, but he wished to avoid "becoming a source of irritation" to German banks.

Although he is new to the job, Mr Haywood said he was confident he could bring the B of A operation out of loss—there has been a capital expenditure of more than $2m over the past two years. "I'll be quite candid with you. I haven't yet developed a strategy. My mission is to make a profit and develop a marketing programme."

The future of German payment systems thus looks to be a colourful one. It will be three to five years before a mass card system is developed and competition can be expected to increase. The most vital question is how the savings banks make use of their newly exercised power vis-a-vis the other banks. The line between co-operation and competition is a thin one indeed.

The authorities are set on reform of the Banking Law and in advance each sector has begun to plead its case

Much lobbying precedes day of reckoning

Law reform

STEWART FLEMING

THE THREAT of legislative reform which could both cramp the growth and "artificaliy" distort the structure of competition hangs heavily over the German banking industry.

Although the commercial banks, which feel that they could be the main losers from new legislative initiatives, have been able to take advantage of tha Government's political problems in Bonn and postpone until at the earliest next year new laws, the pressures for a fundamental reform of the Banking Law remain.

Both the regulatory agencies, the Federal Banking Office and the Bundesbank (the central bank) remain determined to press ahead with proposals aimed at requiring all banks to submit consolidated accounts against which the traditional formulas for establishing capital and liquidity ratios will be measured.

At tha same time, however, the politically most powerful banking group, the savings banks, has heen waging a spirited campaign in Bonn for a new regulation which would allow them to count the guarantees of their owners, the local authorities, as tha equivalent of up to 20 per cent of their equity capital. Since equity capital is one of the measures according to which a hank can expand its lending (the maximum limit is that loans can be increased up to 18 times equity capital and reserves), the implication of such a step would be a major expansion of the lending capacity of the savings banks. The 18 times rule is more complicatad than it appears since, for example, loans to the German public sector do not need to be backed with equity.

But other banking groups are estimating that a "*Haftungzuschlag*" for the savings banks of this sort would increase their lending capacity by as much as DM 80hn. It is a prospect which does not appeal to the commercial banks or the co-operative banks (which already enjoy a similar hut not identical privilege). The banking regulators are also against it.

When asked for their views about counting an owner's guarantee as if it were paid in equity they are apt to quote fondly former Finance Minister Hans Matthoffer's *bon mot* on the subject—"those who do not have money should not be in banking." But given the current political constellation there are faw willing to predict that the savings banks' campaign will ultimately fail.

The prospect of a boost for the savings banks is not the only aspect of the current debate over banking legislation which worries other sectors of the industry.

It was after the collapse of Bankhaus Herstatt in 1974 that demands for banking reform hecame insistent. Indeed in the wake of the bank's failure legislation was introduced aimed at plugging some of the most obvious loopholes—for example, in the regulation of foreign exchange trading.

In the mid-1970s, however, the range of issues addressed by those seeking reform broadened to a more general critique of the power of the banking industry, particularly the commercial banking sector as a whole. There were demands that the banks should be forced to cut their vast equity holdings in major German companies, disclose more fully bow they vote on behalf of shares of their customers held in trust and further restrict their participation on the supervisory boards of companies.

The economic crisis of the past two years and tbe fact that because of their need to draw on hidden reserves to hoost their earnings some of tha big banks have in any case disposed of big stakes in the largest (and therefore most visible) public companies has served to defuse this issue.

Tha latest draft legislation suggests that rather than making wholesale disposals of stakes in industry the banks should in future simply be required to back such holdings with their own equity capital.

But in the meantima more technical issues relating to bank regulation have come to the forefront. In the face of the evidence of mounting international lending risks — the catchwords Iran, Poland and Argentina on the one hand, and Braniff and Laker Airways on the other sum up the range of issues — the bank regulators bave been pressing harder and barder for new laws. In part this pressure is a reflection of the acceptance by the central banks of the major industrial countries meeting under the auspices of the BIS in Basle that consolidated accounts are an essential foundation on which to base the regulation of an international bank.

In part too, however, it reflects the long-standing concern of the German bank supervisors that bank regulation in West Germany bas not only lagged behind the rapid growth of the German hanking industry's international operations in the late 1960s and 1970s but that the hanks have deliberately sidestepped this regulatory framework in order to allow themselves to expand so quickly. Thus most of the big German banks with international operations *have subsidiaries* in Luxembourg outsida the control and the restrictions of tha German hanking law.

In the middla of last year the commercial and co-operative banks agreed to submit statistical information hnt without names of horrowers on a consolidated basis to the supervisors. It emerged that 17 of the 31 banks covered were not complying with the German banking regulations once the non-consolidated subsidiaries were brought in.

If non-consolidated domestic German subsidiaries sucb as partially owned mortgage banks are brought in, the degree to which some banks are overgeared according to the eighteen times rule becomes more marked. Indeed there are even suggestions that a bank might prefer to reduce aharply its stake in a mortgage bank, and therefore the capital backing, rather than consolidate on a pro rata hasis.

The over-commitment of one or two German banks to Poland or other East Bloc countries in particular provides one clue as to why the supervisors in Germany are anxious to have more detailed information about the lending of the institutions they oversee. *In addition*, however, the regulatory agencies are clearly anxious to see the German banking industry boost significantly the equity capital supporting their business—one which must, because of the export orientation or the German economy, continue to be internationally directed.

Behind the argument, however, lies the fundamental philosophy that the regulatory authorities are not there to make judgments over individual credits or country risks. That is what the management is paid for in the eyes of the supervisors. There is clearly less need for supervisors to be tempted into this role if they are confident that the banks are not jnst *adequately* but generously supplied with capital.

The emphasis on equity capital hase and fuller disclosure *of information* on lending leaves aside, however, another area which has worried the regulators, and rightly so, namely the issue of maturity transformation. The cost of liquidity and the mismatching of long-term loans and short-tarm funds has been the source of heavy losses for German banks in the past two years. The banks themselves bave learned from this painful experience. The regulators, however, are avidently addressing the issue of whether they can draw up guidelines which would *set limits to the extent to which* banks could enter into this sort of mismatching. It is not clear yet what action will be taken.

Bank tower (Hessische Landesbank) and church towers juxtaposed in Frankfurt

PROFILE: AUGUST VON FINCK

Banker with a bent for brewing

HERR August von Finck, one of the richest men in West Germany, sat under a tree on *his estate near Munich* and explained how you make a really good beer.

As he talked with a passion and knowledge evidently based on long study of the topic, one point above all became clear. It was not simply that the recent acquisition by the von Fincks (via the family holding company Agricola Verwaltungs-*gesellschaft*) of a 90 per cent stake in Munich's Löwenbräu brewery made good financial sense. Löwenbräu after all owns a lot of property in Munich—West Germany's "secret capital" as it is often called. No, it was rather that Herr von Finck is fascinated by beer (the family already owns the Würzburger Hofbräu *in Franconia*), wants to *turn out the best possible* product and certainly has the money to indulge his hobby.

How much money does he have? Is it "only" DM 4bn—the figure ona generally hears—or more than DM 5bn (a suspect "tip" gleaned at a late hour in one of Herr Von Finck's own beer cellars)? For leading members of the private bank *Merck, Finck and Co.* (senior partner August von Finck) the question is not only somewhat embarrassing hut almost irrelevant.

What true value can one pnt, after all, on tbe 4,000 hectares (10,000 acres) of land in family ownersbip—much of it within half an bour's drive of the centre of Munich? If you could *build flats or factories* there the value would he astronomical. But construction is hanned there by law—and even if it were not the von Fincks wouldn't like it, however much cash it brought in.

The truth, confirmed by an evening at which hoth August, aged 52, and his brother Wilhelm, aged 54, were present, is that the von Fincks not only have a tradition of wealth. They also have a remarkably unostentatious style which they gained from the father, August (senior) who died in 1980 at the age of 81.

August (senior), who collected supervisory board posts on enterprises of all descriptions rather as other men migbt collect stamps, used to arrive at the bank in Munich's elegant Pacellistrasse in a Volkswagen Beetle. If the truth be told be would have preferred neither to come to the hank nor to sit on boards, bnt to stay on the land. His passport gave his profession(s) as "farmer and banker"—and his heart belonged to the former.

Still, the dnties he inherited from his father, Wilhelm, in 1924, could not he avoided. Wilhelm von Finck, who came from Hesse, was one of the legendary entrepreneurs of the second half of the 19th century, founding among other things the insurance companies Allianz Versicherung and Münchener Rückversicherung (the latter today thonght to he the world's biggest reinsurance enterprise).

The house of von Finck still retains not only stakes in these concerns—and in the Hermes company specialising in export credit insurance—but in much else hesides. For example, it has a share of 27 per cent in Hochtief, one of West Germany's top building companies, *slices of the engineering enter*prises Didier and Linde, a portion of the utility company Isar-Amperwerke. . . . and so on.

As a private hank Merck, Finck (business volume over DM3bn) is not compelled to disclose its profits—hut even if it were the family would clearly feel it had form to talk about the matter "In our business year 1981 we achieved a marked increase in the profis from our interest business," August von Finck remarked almost apologetically as he presented the annual report last month. Then, brightening up, he noted that Herr Adolf Kracht, formerly chairman of the Norddeutsche Landesbank, had recently joined Merck, Finck—a most welcome development since "for my brothers (there are three others) and myself there are, after all, only 24 hours in a day."

The assembled Press, gathered in a room with stained glass windows and decorated with antlers, made a few ritual efforts to extract more about profits, then retreated into the garden. There, close to the von Finck family church, the assembled company dined until a late honr by candlelight while Herr August discoursed on where you can eat wall and inexpensively near Munich—and how you make really good beer!

PROFILE: WOLFGANG STARKE

Very much a man on the move

IF THERE is a new spring in Herr Wolfgang Starke's step it is probably because he is confident of his newly found power to influence the future of West German retail banking.

Herr Starke is general manager of the German Savings Bank Association and very much a man on the move. Before joining the Bonn-based savings bank organisation in 1976, he spent 18 years with Commerzbank. At the age of 46 he is one of the most energetic participants in the continuing debate over German payment systems.

To many observers the increasing dominant position of the savings banks, compared to that of the commercial or co-operative banks, is largely a result of the work of Herr Starke. He is credited with having helped to persuade the savings banks to pull out of plans to form a Europe-wide consortium to purchase the Thomas Cook travellers cheque business last year. Instead, the savings banks, with more than 50 per cent of the private banking customers in Germany, threw their weight behind American Express.

The feathers are still flying in German banking circles and little love is lost between Herr Starke and some of his Frankfurt-based colleagues. But in political terms the savings banks are on top.

With 600 banks and 17,000 branches the savings banks are in a formidable position to influence the shape of the new Common Payment Systems Company being formed jointly by the savings, commercial and co-operative banks. As if to understore this influence Herr Starke will be appointed chairman of the new company this month.

"We want an evolution, not a revolution," declared Herr Starke not long ago. With the backing of German savings banks he means to pursue an orderly schedule of retail banking developments. The style is deliberately low-key, but no one should mistake the reticence for lack of will.

هكذا من الأصل

WEST GERMAN BANKING AND FINANCE VIII

What amount to commercial IOUs have become a popular means of finance in West Germany. These "certificates of indebtedness"—or Schuldscheindarlehen in German — are free of the normal statutory restraints and therein lies their attraction for borrowers

Appeal of a loan channel free of supervision

THERE IS no officially organised market, no legal definition and therefore no detailed statistics, but *Schuldscheindarlehen* — variously translated as "certificates of indebtedness" or "loans against borrowers' notes" represent one of the most important means of private and public sector financing in the Federal Republic.

According to estimates made by Commerzbank such certificates of indebtedness outstanding in 1980 totalled more than DM 400bn compared with a total volume of outstanding issues in the West German bond market at the same time of over DM 500bn. The fact that no precise statistics exist is clearly one of the major attractions for operators in this sector of the capital market as Schuldscheindarlehen offer an unrivalled degree of secrecy.

Although this form of financing instrument has been used in Germany for several decades—at least since the 1920s for public sector financing—the importance of certificates of indebtedness has greatly increased in relation to bonds, the traditional capital market instrument, since the beginning of the 1960s.

Why have they become so popular? According to a Commerzbank study of the German capital market, Schuldscheindarlehen offer borrowers "lower cost, easier adjustment of terms to the individual needs of the borrower, simpler procedure, faster handling and more discretion, compared with the issue of bonds."

Just as important they do not need Government approval; nor do they need admission to the stock exchange.

Interest rates on loans against borrowers' notes are normally higher than the long-term rates ruling in the bond market, but the savings to be gained on the costs of the transaction usually make the Schuldscheindarlehen a cheaper proposition for the debtor.

Among the expense items saved are Securities Tax, the cost of printing bonds and a prospectus and of admission to the stock exchange, all costs that are necessarily entailed in a bonded loan issue. As the Bundesbank spelled out in its first survey of the Schuldscheindarlehen market carried out several years ago: "Further advantages for the borrower lie in his greater freedom of movement when raising capital—no governmental permit for the issue, no obligatory publicity, individual framing of the terms; less dependence on the general state of the capital market; no need to support bond prices."

For the investor the attraction lies chiefly in the fact that interest rates on Schuldscheindarlehen are somewhat higher than on bonds and that the loans are not subject to any officially quoted once fluctuations that would lead to banks having to write down the values in their annual accounts.

NET BORROWING BY ALL AUTHORITIES (DM bn)

	1980	1981* Total	1981* of which 4th qtr*
Loans against borrowers' notes	+52.4	+76.4	+20.4
Securities	+ 1.1	− 0.9	− 0.6
Other	− 0.9	− 0.4	− 0.1
Total	+52.5	+75.0	+19.7
Of which raised abroad†	+22.0	+24.0	+ 1.0

†Partly estimated

This last point has taken on a new relevance in the last two years as banks have been hit hard by the book-losses they have had to take under West German accounting requirements on their bond portfolios as a result of soaring interest rates and crumbling bond prices. As certificates of indebtedness do not have a listing with daily fluctuating prices they are not subject to depreciation.

What are Schuldscheindarlehen? The Bundesbank itself admitted in a survey carried out several years ago that "there is no clear and universally satisfactory definition of the term 'Schuldscheindarlehen'." Broadly, however, certificates of indebtedness represent large short-term, medium-term or long-term loans for which a written loan agreement is signed or debt acknowledgement is issued.

The main difference between a regular bank credit and a certificate of indebtedness is that the certificate is negotiable and therefore can be traded. In this sense it resembles a securities instrument.

The fact that Schuldscheindarlehen are not quoted stock exchange securities, however, means that they are saleable only within limits. A major difference from bonds is that in a legal sense they are loans and not securities. "The borrower's note," says the Bundesbank, "unlike bonds, is not needed for assertion of the underlying claims: it serves merely as probative evidence."

Despite the [illegible] on the negotiability of certificates of indebtedness, the fact that the number and volume of loans granted in this form has been growing rapidly in recent years means that an unofficial secondary market for them has developed. Major banks and a few private bankers are making a market, according to Commerzbank, and certificates are traded over-the-counter only by the banks.

Trading prices are established by supply and demand based on market yields at the time of dealing with a minimum trading amount of DM 100,000. Usual amounts, however, are DM 1m and above.

An important additional attraction for non-German residents is that under German law interest income from Schuldscheindarlehen is not subject to German withholding tax.

The main borrowers in the Schuldschein market are the public authorities, domestic private banks, domestic private corporations and foreign borrowers. On the investor side the main holders of certificates of indebtedness are the insurance companies and the banks, but in recent years they have been joined by foreign investors, major industrial concerns and occasionally private investors. The private lender is in most cases ruled out of the market, however, because of the large size of the individual transactions involved.

By far the most important single borrower in the form of Schuldscheindarlehen is the West German state in its various forms. Of net borrowing in the market by the central, regional and local authorities of DM 75bn last year, some DM 76.4bn was accounted for by loans against borrowers' notes. The discrepancy of DM 1.4bn was accounted for by the actual fall in the volume of net borrowing in the form of securities and other credit instruments. In 1980 there was a similar picture with Schuldscheindarlehen providing DM 52.4bn of net borrowing of DM 52.5bn.

The growth overall of the market for certificates of indebtedness since the beginning of the 1960s is closely associated with the rapid expansion of state indebtedness. Exact figures have not been published but it is understood that of total state indebtedness of DM 545bn at the end of 1981, around DM 400bn was in the form of Schuldscheindarlehen. Public financing through certificates of indebtedness has risen quickly in the last few years, more than doubling since 1976.

Loans against borrowers' notes have also been the financing instrument favoured by Bonn in its search for new sources of funds abroad—chiefly in Saudi Arabia—during the period that the country was running a huge current account deficit. The need to finance this deficit also led the Government virtually to do away with restrictions on the sale of Schuldscheindarlehen to non-residents, opening up the sale of short-term certificates.

As far as the Federal Government, the state governments and the Federal Railways and Post Office are concerned, the minimum amounts raised by single loans are usually DM 10m. These borrowers negotiate loans by announcing the terms—yields and maturities—at which they are willing to borrow capital in the market or by responding to direct demand from the banks.

Schuldscheindarleben play a less important role in corporate financing than in the funding of the public sector and in 1980 it was estimated that loans against borrowers' notes accounted for no more than 10 per cent of total long-term bank loans to enterprises. The possibility of raising debt in this form is also in practice limited to large concerns.

The insurance industry plays a major role as lender in the Schuldschein market with the result that requirements raised by the insurance companies often play a major role in judging the eligibility of corporations for certificates of indebtedness.

The maturity of a Schuldscheindarlehen can be for any period agreed by the contracting parties, and although loans against borrowers' notes started out more as long-term financing instruments they are now commonly used as a way of raising short-term debt too.

Interest is payable at fixed rates over the entire life of a certificate from the pay-out date and will be determined by the state of the market at the time of the deal and the standing of the borrower. The yield is generally above the yield obtainable on bonds. Public sector certificates are usually issued at fixed interest rates until maturity, but there are sometimes clauses for re-negotiating interest rates after so many years. Redemption usually takes place in total at the maturity of a loan, but this can also be arranged in other ways such as instalments.

In general loan agreements provide the creditor with the power of attorney to assign the loan in part or completely to third parties, although clauses are sometimes included which require the borrower's consent before transfer.

Kevin Done

Euromarkets profile reflects mix of investment views

"THE PROFILE of West German banks in the Eurocredit market can be summed np in one word: non-existent."

This was the view of one major London-based banker, on the rather low profile adopted by German banks in the international syndicated loan market. The reasons for their lack of activity involve the peculiar growth of German banks in this sector, largely through subsidiaries in Luxembourg.

West German banks originally set up these Luxembourg operations in order to channel Eurocredit business, but the tighter interest margins and lower yields of recent years have discouraged them from taking on mnch new business.

The banks have also found a regulatory beadache in the move toward consolidated accounts in West Germany, thus bringing the Luxembourg loans activity into the full bank report. The idea of running business out of Luxembourg was at least partly to avoid some of tha Bundesbank's requirements, but this has not worked.

Most of the involvement by German banks has been in Eastern Europe and the loans from Dresdner Bank, Commerzbank and Deutsche Bank to Poland have been well-publicised. Deutsche Bank clearly made the best provisions.

Otherwise, German banks stick to trade-related credits, aod bave completed some business with Brazilian borrowers. The trend toward slightly higher margins in the case of some borrowers has lured German banks back; an example of this was Deutsche Bank's involvement in the recent credit for Greece, which carried reasonably generous margins.

When it comes to the Eurobond market, however, West German banks are far less shy. The Euro D-Mark bond market is a thriving area, and new issue volume over the past few months has been at least DM 1bn per four-week period.

Deutsche Bank is the biggest of the market-makers in Frankfurt; it operates a significant Eurodollar bond trading desk as well as a dollar new issue team. Its Euro D-Mark presence makes it the established house for most supranational D-Mark borrowers such as the World Bank and the European Investment Bank.

World image

ALAN FRIEDMAN

Dresdner Bank, DG Bank, Berliner Handels-und Frankfurter Bank, Westdeutsche Landesbank, Commerzbank and Bayerische Vereinsbank are other banks with a significant presence in the Euro D-Mark bond market.

Unlike the Eurodollar bond market, which is virtually unregulated the Euro D-Mark sector does have a formal issue calendar, which is agreed at meetings held generally once a month.

At these meetings a number of new issue managers discuss the planned borrowings they have in mind and try to agree on amounts and dates of issue. Some of the Bavarian banks, because they are not as mainstream in the bond market as the Frankfurt "big boys" may benefit from these deliberations even though they are not present. Bayerische Landesbank may be given preference, for example, because the meetings of the West German Capital Markets Sub-committee, under the watchful eye of the Bundesbank, constantly seek to be fair to all new issue managers.

Although the Bundesbank in May abolished the special Lombard rate of interest, and this encouraged the bond market, the Euro D-Mark bood sector cannot escape the influence of the New York market. D-Mark interest rates may have a six-point differential from dollar rates (this has been the norm during the first few months of 1982), but the ebb and flow of the market will foHow Wall Street closely.

The quality of D-Mark bond borrowers varies from the golden reputation of Philip Morris to the greater risk of Banrural, Mexico's agricultural development bank. When the two borrowers came to market a few weeks ago, the difference was made patently clear: Philip Morris carried a coupon of 8¼ per cent, then the low, while Banrural was priced at a discount with a 10¾ per cent coupon.

The Banrural paper yielded more than 250 basis points (2½ per cent) above the Philip Morris, the widest yield differential seen in a long time for two D-mark bonds in the same market. Who bought the Banrural paper? The answer is that a number of domestic German investors often jump into the market when the coopon is sufficiently attractive, even if the borrower's name is not the best.

Quality names are more likely to be purchased by foreign institutional investors or central banks wishing to maintain a certain portion of their investment portfolio in D-marks and willing to take a slightly lower payout in exchange for security.

The outlook for the Euro D-mark bond market this year seems promising, although bond dealers will always warn that it is risky to predict more than a few months or weeks in advance. The U.S. economy and the U.S. budget deficit are two factors which will continoe to exert a eerious influence on the D-mark sector, as will the relationship of the West German currency to the dollar.

Healthy German trade figures and a current account surplus will help the market, but U.S. interest rates could offset these factors. The German budget deficit is in the back of many bankers' minds, but so far has not been a very adverse influence on the bond market.

In an ideal world the Euro D-mark bond sector would continue to enjoy declining interest rates, buoyant trading and sizeable new issue calendars. This has been the case for the past few months, but there are no guarantees for the future.

THE FRENCH ECONOMY

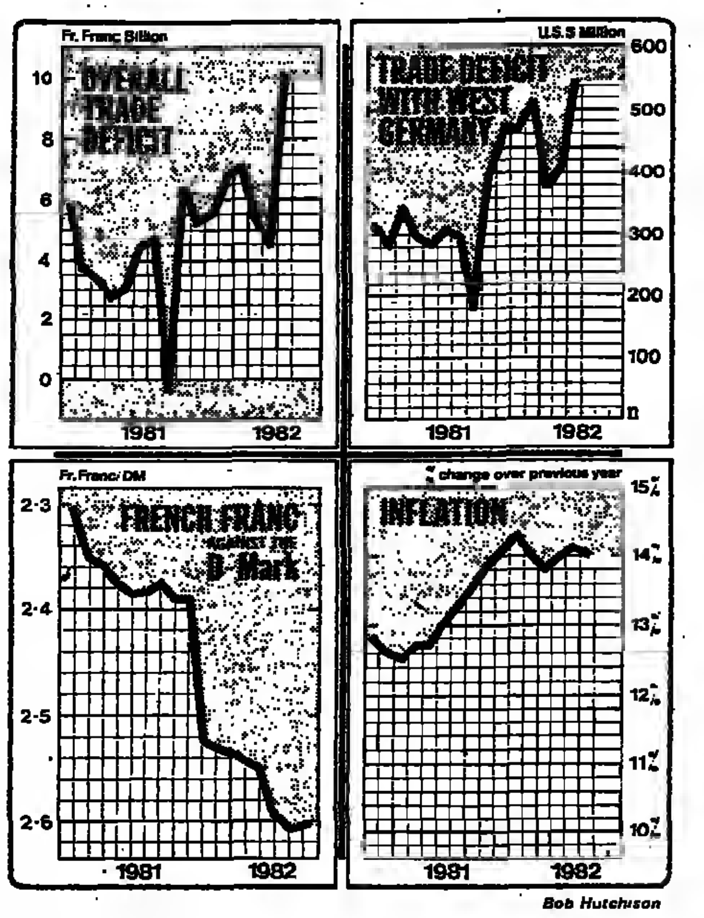
Mitterrand's unpalatable choices

By David Housego in Paris

THERE IS proud and obstinate strea to M Mitterrand's characte. He is not a man who likeso be seen to be acting under ressure — least of all when a Socialist President of France that pressure comes fromthe international currency markets.

But the sale on which there has been a haemorrhaging of France's oreign exchange reserves h greatly limited his room formanoeuvre. From FFr 42bn before the Socialists took office in May last year, the Bank of France's disposable foreign exchange holdings had fallen to just over FFr 18bn by May 19. Dealers reckon that the Ban of France paid out at least a further FFr 6bn last week intervening in defence of the franc, particularly when it came under heavy pressure on Thursday and Friday.

Nobody expects the President to anounce a devaluation of the French franc within the European Monetary System where he holds the second Press conference of his Presidency today. But the occasion will be watched for indications of the stabilisation measures that will be needed if there are not to be repeated devaluations of the franc in the future (the first was in October last year) and here also for the degree of France's commitment to remain within a more stable EMS system.



Bob Hutchison

French public opinion is at least in part prepared for the announcement of austerity measures. An opinion poll published at the weekend showed that 58 per cent would apparently welcome austerity—finding the cynics interpret this meaning that they would welcome it for the remaining 42 per cent of the population: the French will not lightly give up the still rising living standards that they continue to enjoy.

Official forecasts are that real [inflation-adjusted] incomes will go up 2.2 per cent this year after a similar increase in 1981. Even this does not fully reflect the astonishing 23 per cent increase in wages on an annual basis that seemingly took place in the first quarter.

M Pierre Mauroy, the Prime Minister, who until recently has been an advocate of expansionist policies, indicated some days ago that this could not continue when he spoke of the need "to put a brake" on wage and price increases. M Jacques Delors, the Finance Minister, has also again been preaching the need to cut back on social expenditures — warning that everybody must be prepared for sacrifices and that it was not yet time for "gathering the cherries." The pro-Socialist CFDT union has declared its support for greater "realism" and "rigour."

Almost a lone voice against austerity—with its implication of a cut in living standards—has been the Communist Party and the Communist-led CGT trade union (the largest in the country). Others will no doubt add their voice to the chorus of complaint if they find the shoe is pinching them. But at least the belief that the party is over gives M Mitterrand some leeway in announcing unpalatable changes.

An equally helpful factor is the concluding declaration of the Versailles economic summit. This linked the international monetary and exchange rate stability for which France is anxious to a greater convergence of economic performance among the major industrialised states. In other words M Mitterrand can put the medicine he proposes in the context of internationally agreed goals.

For the pressures for a "change in gear" in economic policy do not only come from the weakness of the franc. They also stem from the related fact that France is now having to face up to the painful consequences of having pursued last year an expansionary economic policy at a time when her major trading partners were deflating. The unexpected extent to which France is out of step with other industrialised nations has badly thrown out the Government's economic calculations.

Thus the French inflation rate of 13 per cent during the first four months of the year is a marginal improvement on last year but way above the single digit figures being achieved in the U.S., West Germany and Britain.

France's widening trade deficit reached a record FFr 10.2bn in April as a result of the slowdown in exports due to the world recession and an increase in imports sucked in by the continued bouyancy of French consumer demand. The Government claims its EEC partners have gained on average the equivalent to 0.2 per cent a year of real GNP through the boost to imports caused by the reflation of the French economy. The sharpest gain has been made by West Germany.

The sluggishness of exports has in turn been a major factor behind the loss of momentum of the French economy. Real GNP actually fell by 0.1 per cent in the first quarter of the year and is now only expected to rise by 2 per cent in 1982. This compared with the 3.3 per cent forecast estimated at the time when this year's reflationary budget was being prepared.

As a result of slower growth, tax receipts will be down thus further swelling the budget deficit. A planned deficit of FFr 95bn for 1982 (as compared with FFr 50bn in 1980 and FFr 72 bn in 1981) is now expected to reach FFr 120bn. This is quite apart from an anticipated deficit in the independently administered unemployment benefit fund (UNEDIC) of FFr 37bn by the end of 1983 and a heavy shortfall in the social security fund.

It is an extraordinary fact of Socialist France that notwithstanding what his ministers say M Mitterrand retains an almost monarchical power of decision and that his exact intentions over a shift in economic policy remain a mystery.

He certainly had no wish to take unpalatable decisions at this stage in his administration. His strategy was to postpone austerity measures over budget expenditure or wages until after the municipal elections next spring. M Mitterrand wanted to use these (as did the Communists) to reinforce his party's local electoral base.

But he has always been sensitive to accusations of Socialist mismanagement of the economy. M Mitterrand is also sensitive to the damage to France's prestige from the continuing weakness of the franc, the draining of the reserves, and the danger of repeated devaluations.

A major priority continues to be to maintain the impetus of Socialist reforms and above all of long-term investment through the newly nationalised industries on which the Socialists pin their hopes for a restructuring and modernisation of French industry.

But he also wants to restore order to the public finances and curb inflation—though without the deflationary policies of monetary and fiscal restraint employed by former Prime Minister M Raymond Barre (which he and his Socialist Party denounced) but which still look the only way of achieving those particular objectives. Among such irreconcilables M Mitterrand's options are limited:

● He has already announced that the budget deficit next year is to be held to 3 per cent of GNP. Tighter expenditure limits are being imposed on social welfare ministries.

Indubitably the foreign exchange markets want to hear of expenditure cutbacks that go further than the bulk of the Socialist Party are prepared for.

● There is strong support within the Socialist Party for a price freeze and this is equally popular with the public at large as reflected in the opinion polls. M Delors has opposed it because (unless industry was excluded) it would further squeeze already depressed company profit margins. A prices freeze would almost certainly be linked to a tougher wage restraint policy.

● The President is under strong pressure from the Ministry of Finance to raise employee contributions to the social security and unemployment benefit funds. Civil servants are currently exempt from contributing to the unemployment fund — a privilege they are likely to lose in the name of "solidarity."

The risk of not taking such measures now is that M Mitterrand could be forced into a more humiliating U-turn later on and into further devaluations. Such a prospect is damaging to him in France, and damaging also to his hopes of closer European collaboration through a strengthened EMS and closer relations with West Germany.

Unemployment

Getting beyond glib talk about the unwaged

By William Rodgers, MP

STANDING in the parlour of the Victorian terrace house I gave the obvious reply. "If the economy grows with more investment, there will be more jobs here." "Oh no, there won't," was the response, "It would just mean more overtime for me."

The politician's glib prescription bounced off the man who really knew. At the wireworks in Warrington, jobs lost would never be replaced.

To those of us who grew up in the Beveridge era, it is extraordinary. Full employment was the axiom of the free society. Now we are learning to live with 3m men and women on the dole. A Conservative Prime Minister can even dream of winning an election with 12.4 per cent of the workforce without jobs.

Is it all Britain's fault again—low productivity, bad industrial relations, the absence of innovation? Or can we take comfort that Belgium is doing worse than us, and even the Japanese have problems?

No message of hope has reached Warrington from Versailles . . . we have begun to ask if work is the normal state

The truth is many-layered. A more expansionary policy coupled with special employment measures might put 1m men and women back into jobs within two years, with further improvement after that. The shock of the present figures might finally persuade the cynics that an incomes policy alone can keep both unemployment and inflation down.

But there is unease. Britain's own problem rests on the further crisis of a world recession and no message of hope has reached Warrington from Versailles. Then there is the microchip, the spectre that casts its shadow over future generations. Invented by man, its extended family of technology threatens to make man redundant.

Giles Merritt's racy account of the World Out of Work (Collins, £2.50), gallops through these problems. We learn that, in Europe as a whole, steel, textiles, cars and shipbuilding are in decline and that to be down and out in Lorraine is just as depressing as in Corby, or Krefeld. "Except in the acting profession" he says, "work is the normal state."

But work is what is missing for many of those who would choose it.

So we have begun to ask ourselves whether work should be the normal state at all. Is it not better that we should be trained for leisure, with only our middle years devoted to earning? If work-sharing would spread the opportunities on a weekly basis, why not work-sharing over a life-time?

The jargon of the Left has already accommodated to the change, pushing the work ethic back to its origins in religion and the rise of capitalism. To refer to anyone as unemployed is to cast a stone: Let them instead be known as "unwaged."

But public perceptions of unemployment no longer require a euphemism to hide the affliction of the victim. There is no dishonour in being without a job.

The graduate sons and daughters of middle-class parents may as easily draw the dole as first-generation black citizens in Brixton. Their longer-term prospects are better, but for a while the experience is shared. The middle-aged unskilled manual worker finds it hard to get another job, but so does the craftsman, school teacher and the office clerk.

Regional variations in Britain—as in Italy and France—remain as marked as ever. Better to be looking for work in Newbury than Stockton-on-Tees. But even in London, once a haven for those in search of jobs, unemployment is now acute, as Ken Livingstone reminds us with the figures he mounts on County Hall.

But the mood of the country remains difficult to judge. Unemployment currently comes top of the issues that matter most to the electors. Anxiety is strong that jobless youngsters in the inner cities will turn from frustration to violence and probably lose the will to work. In turn, the breakdown of law and order will destroy the respect for parliamentary democracy and representative institutions. At some point, there is what Giles Merritt calls "a critical threshold" to be crossed.

And yet, and yet . . . the largest rally that Britain has lately seen was organised by the Peace Movement, and was not about the unemployed. And, as Giles Merritt reminds us, the phenomenon in Britain is the rise in politics of the moderate centre-Left.

The man from the Warrington wireworks has a shrewd sense of how the system works. He will not vote to take Britain out of the Common Market. Perfidious Brussels may be, but no-one would gratuitously add another 1m to the dole queues. He will not vote, either, for a siege economy that would freeze Britain out of world markets and slow the pace of inescapable change.

Britain cannot be an oasis of employment in a world out of work. But it could be more concerned to make the desert bloom again.

But neither is he convinced that the growth of the money supply and the size of the Public Sector Borrowing Requirement are the stuff of which prosperity is made. In his heart there is a middle way, special measures for the young and the long-term unemployed, moderate expansion with pay restraints and a vigilant watch on prices.

On top, there is training for his children, so their higher skills will fit those jobs which are available in the anxious years ahead.

Britain cannot be an oasis of employment in a world still out of work. But it could be much less parched and more deeply concerned about how to make the desert bloom again.

William Rodgers is SDP MP for Teesside, Stockton.

Letters to the Editor

Inflation accounting: confusion confounded

From Dr J. Ginarli

Sir,—Regarding our correspondence column of (June 2) headed "Inflation accounting, cash flow and the Big 4," the lucid first letter from Professor Mendelton discussing the essential differences between general price inflation and specific price movement is somewhat overshadowed by the two succeeding letters in which confusion is totally confounded.

Professor Wood does not appear familiar with the excellent work undertaken by Professor Baxter an others describing in great detail the strengths and weaknesses of various forms of cash flow and inflation accounting, or with the literature on the different measurements to the UK of gearing, rate return and investment on the Continent and in Japan. Worst of all, however, both Professor Wood and Mr Clayton appear to be greatly confused on measurements of rates of return and profitability.

While the absolute numbers of bank profits may have been growing larger, with balance-sheets boosted both by UK inflation and sterling depreciation, most bank profit margin measures in recent years have shown a adverse trend. Average cost of funds has been tending to rise considerably faster than average yield on funds—hence the banks' assault on the building societies—while operating costs have tended to rise considerably faster than commission income. As a result of inadequate profitability, capital ratios have been eroding steadily in recent years and have only been maintained by very considerable fund raising exercises, with all the clearers recently issuing loan capital on a grand scale. Moreover ratios of bad debt provisions to advance, have been deteriorating while risk has patently been increasing. Indeed as bad debts and capital adequacy it could well be argued that the banks have needed every ounce of tax concession, and if anything have been far too generous to both staff and shareholders. The tendency to compensate for inadequate profitability by periodic rights issues, which then go to increase dividends has characterised many other UK companies, including in the financial sector for example the composite insurance companies.

Mr Clayton seems to have become highly confused in his discussion of net assets over the distinction between distributable and non-distributable profits discussed at length in the Sandilands report. For a significant part of the banks' growth in net assets will be attributable to property revaluations, which are potently only distributable in the event of a sale. The remainder of the net assets, the accumulated retentions and reserves should also be reduced by RPI adjustment to some constant purchasing power parity which would deflate them accordingly.

Specifically what Mr Clayton appears to have done is to take the Big 4 current cost net assets of £8.3bn in 1981 and £7.2bn in 1980. The difference plus dividends and special levy totals £1.6bn, which he calls the bank's CCA profit "on the objective net assets basis." But in these calculations, ignoring growth since 1969, he has subtracted 1981 net assets in 1981 £s from 1980 assets in 1980 £s, whereas the "real" increase restated in 1981 £s. Such a restatement produces "CCA profits net—assets basis," of £816m, much closer to the banks' published SSAP 16 profits of £690m, considerably lower than historic cost profits.

It is perhaps worth reminding readers that full current purchasing power adjustments to clearing banks' profits in the early 1970s painted such a devastating picture of banks' true profitability that the clearers were very concerned at the implications of CPP.

(Dr.) John Ginarlis,
Quilter Goodison,
Garrard House,
31-45 Gresham Street EC2.

From the Vice-President, Association of Certified Accountants

Sir,—Mr Jack Clayton (June 2) should stick to his last. If, as an accountant, he does not approve of current cost accounting, he has every right to represent his viewpoint within his profession and his institute is providing him with a platform for so doing on July 29.

In straying into bank economics, his arguments lack substance and his own idiosyncratic approach to measurement of bank profits can only cause confusion. Surely he does not expect readers to believe that an unrealised surplus on the revaluation of fixed assets should be regarded as part of the profits of the year.

In granting stock relief, the UK tax system assists manufacturing and commercial businesses to protect their capital infrastructure in inflationary times. In practice, no corresponding relief is available to the banks so that the business structure can only be maintained from a basis of higher historical cost profits with significant retentions. At a time when the market capitalisation of banks is little over half their net asset values, how can it seriously be contended that profits are excessive?

Your correspondent fails to acknowledge that the selective taxation of offshore petroleum and TV advertising was imposed to counteract excessive profits arising from monopoly rights granted by government. The imposition of a levy on the banks was not based on profits, bore no relation to the individual banks' ability to pay, and did not recognise that the level of bank profits was subject to competitive forces.

If the case for the levy rested on the benefits to the banks of high interest rates that arose from the economic policies of the day, would he be so vociferous in arguing in equity that relief should be provided when the converse situation of low interest rates applies?

An allegation of "complicity in the enormous tax fiddle on behalf of the banks" can only serve to bring the accountancy profession into disrepute.

F. E. Bleasdale,
29 Lincoln's Inn Fields, WC2

A regime for the oceans

From Mr P. Farr

Sir,—Your editorial "A regime for the oceans" (June 1) is both timely and forceful. A reminder of the wide scope of the convention and of the importance of the agreements reached on all matters other than deep sea mining is much needed.

In the longer term, few doubt that deep ocean minerals will form a valuable part of the earth's resources. Any real and lasting worldwide shortage of any of the metals will not, however, arise before the next century. (Temporary interruptions to supplies from existing sources may, of course, produce temporary shortages at any time.)

Difficult as economic forecasting undoubtedly is, there are few authorities who now confidently predict an effective demand for the nodule metals which would justify nodule mining on economic grounds alone much before the end of this century. The resumption of economic growth at the rates to which the developed countries became accustomed in the 1960s continues to elude us, and forecasts of demand for base metals continue to be revised downwards.

In the light of recent events, it is hard to conceive that isolated and potentially vulnerable marine outposts can contribute significantly to security of supply of the strategic metals cobalt and manganese—except in the context of agreed international law.

For the rest of this century, it is most improbable that there will be any limitless bonanza to be tapped for the profit of either north or south, and Third World countries, in particular, need to recognise this.

In everyone's long term interest, the rights of the ocean mining consortia must be recognised: without the consortia the resources will never be developed. Equally, certainly, few will care to risk investing in ocean mining outside the framework of international law.

The immediate importance of the convention, covering the wider aspects of the law of the sea, is far too great for it to be allowed to founder on the single issue of ocean mining. This is a longer term problem.

P. J. Farr,
O. W. Roskill Industrial Consultants,
2, Clapham Road, SW9.

The textile industry

From the Chairman, Textile Industry Support Campaign.

Sir,—Your report (June 4) on Hong Kong's textile industry highlights a very important point.

It adds weight to our argument that an industry's survival depends far more on the environment in which it operates than it does on the machinery with which it produces its goods.

Last year saw some of the UK's most modern textile plants close down because of an alien environment based on a policy of liberal imports. Hong Kong is squealing before it is hurt but its message that investment is useless without protection is very pertinent and timely. Let us hope that it rouses our sleepy Whitehall mandarins from their slumbers before Britain's fourth largest industry disappears forever.

John G. Bridge,
Oldham and District Textile Employers' Association,
Thorncliffe,
115, Windsor Road, Oldham.

Bass profits fall £8.4m but interim increased

FOR THE 28 weeks ended April 10 1982 taxable profits of brewing, drinks and leisure group Bass fell by £8.4m to £43.1m. Sales increased from £840.8m to £947.8m for the period, but the directors explain that the pressure on consumer spending, the severe winter weather and an industrial dispute in Bass North, have depressed sales by volume.

The interim dividend, however, is lifted from 2.53p to 2.66p net per 25p share.

The directors say that, historically, a greater proportion of group profit has been earned in the second period of the year and, as reported at the annual meeting, the effect of consolidating the former Coral activities, in particular Pontin's, while decreasing results for the 28 weeks, will increase the proportion of profits earned in the second period.

For the whole of the 1980-81 year sales amounted to £1.7bn and the pre-tax surplus was £133.2m. The dividend total was 9.46p.

Sales and trading profits—£57.1m (£62.5m)—for the 28 weeks were split as to: brewing and drinks £734.8m (£717.8m) and £60.6m (£63m); leisure £213m (£122.8m) and £3.5m loss (£0.5m loss).

Coral sales and trading for the first quarter of 1981, being pre-acquisition, are not included in comparative figures, directors point out.

Trading surplus for the 28 weeks was struck after depreciation amounting to £27.7m against £24.6m, a provision of £1.3m (£1.5m) for employee share ownership scheme, and included a £4.9m (£0.9m) surplus on the disposal of fixed assets, investments and subsidiaries.

Pre-tax profits were after borrowing costs, up from £11m to £14m, which was increased by the inclusion of 28 weeks (17 weeks) interest on former Coral borrowings and overall higher average borrowing levels.

After tax, £12.9m (£13.5m), minority interests, £0.4m (£0.5m) and preference dividend payments of £0.2m (same), the available balance came through down £7.7m to £29.6m.

Ordinary dividends will absorb £8.6m, compared with £8.1m, leaving £21m (£29.2m) retained.

Stated earnings per share are given as 9.2p, against 12.4p.

In December the directors said that capital expenditure of £145m was authorised for the current year. During the 28 weeks £59.7m was spent, compared with £81.6m last time.

See Lex

HIGHLIGHTS

Today Lex looks at the preliminary money supply data for banking in May which shows a 1¼ per cent rise in sterling M3. It then turns to examine the Midland Bank's decision to raise £100m through the issue of a subordinated unsecured loan stock 2002/07. The stock is issued at £98.55 per cent and will carry a 14 per cent coupon. The column goes on to consider the recent behaviour of equities which are at or near, all time highs in many sectors. Finally the column discusses the interim results from Bass which were disappointing with taxable profit sliding from £51.5m to £43.1m on turnover up from £840.6m to £947.8m for the 28 weeks to April 10, with a jump in the trading loss from leisure.

Premier Oilfields expands 53%

TAXABLE PROFITS of Premier Consolidated Oilfields, an oil and gas exploration company, advanced by 53 per cent, from £1.3m to £2m, for the year ended March 31, 1982 on total revenue £1.52m ahead at £5.21m.

Although no dividend is recommended, as the group is continuing to follow a policy of reinvesting earnings into further exploration with a view to increasing its capital value, a one-for-ten scrip issue is again proposed.

In describing the results as "satisfactory" Mr Roland Shaw, the chairman, points out that in a year of falling oil prices the group's sales of oil and gas improved from £2.64m to £3.02m — an increase of 14.5 per cent.

He adds that by increasing the group's activities as an operator both in the North Sea and in the U.S. its operating charges showed an improvement from £225,000 to £418,000.

Total revenue also included dividend and other income of £1.74m (£776,000), miscellaneous income of £34,000 (£17,000) and a profit from sales of fixed assets and investments totalling £25,000 (£29,000). It also was after taking account of a loss of £32,000 (nil) by associates.

In arriving at the pre-tax surplus there were deductions for cost of production £1.1m (£854,000), depreciation £488,000 (£205,000), exploration expenditure written off £72,000 (£295,000) and operating and administrative expenses of £1.55m (£999,000). The previous year's figures included short term interest of £26,000.

Net profit for the year emerged at £923,000 (£304,000) after tax of £1.08m (£1m). There was also an unrealised exchange gain of £3.36m (£168,000) following the sale of half of the group's holdings of Lasmo shares last year and the transfer of the proceeds into dollar holdings. Last year there were extraordinary credits of £5.61m.

Stated earnings per 5p share were 0.9p (0.33p).

The group has completed the interpretation of a seismic survey over block 12/23 in the Moray Firth and it is expected that a well will be drilled there this year.

Having regard to the results, the group's strong balance sheet and projects in hand Mr Shaw is confident about the group's prospects for the current year.

● comment

Premier's lack of exposure in places like Nigeria and the Middle East has allowed it to expand production in the year and helped to move profits up. In Trinidad, for instance, prices went down by 15 per cent but Premier's sales went up by 25 per cent thanks to increased output. But Premier's P and L, as usual, sheds little light on the company's prospects. With some £9m still in liquid net assets and another £3m worth of left-over LASMO shares, Premier is poised for action. A major U.S. acquisition is in the works, as are plans to bid for a stake in British Gas's Wych Farm holding. Money is also in reserve against the day that one of its many wells will prove a winner. Drilling is expected to begin in Moray Firth this autumn, which presumably widens Premier's chances. Nonetheless, the shares, which have yet to provide a yield, remain a firm gamble. Premier's price has eased by nearly a quarter in the last year, in line with the sector, and up 1p yesterday to 49p they probably stand at a reasonable discount to their true asset backing.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Atkins Bros	3.65	—	3.65	5	4.65
Sketchley	7.3	July 22	6.2	10.5	9
Archimedes Inv Tst int	3.7§	—	3.3	—	7.6
Bass int	2.66	July 26	2.53	—	9.46
Capper-Neill	2.1	July 16	2.1	4.2	4.2
Robert Kitchen Taylr int	3	July 30	3	—	10
Fleet St Letter‡	3.5	—	0.4	3.5	0.4
Thomas Locker	0.92	—	0.81	1.17	1.06
Sketchley	7.3	—	8.2	10.5	9
Scotcros	3.39	—	3.39	5.52	5.52
Carr's Milling int	1.75	July 16	1.25	—	4.25

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § To reduce disparity.

Scotcros slumps to £200,000

TAXABLE PROFITS of Scotcros slumped from £1.51m to £200,000 in the year to March 31 1982, following a downturn from £1.01m to £431,000 at the half year stage. The year's turnover advanced by £1.06m to £39.21m.

But despite stated earnings per 25p share of this group, with interests in packaging, wine, animal feedstuffs and engineering, given as nil (14.7p) the final dividend is being maintained at 3.3875p making a same again total of 5.518p.

The directors say that severe action has been taken to eliminate unprofitable trading activities, reduce costs and create a healthy cash flow. They are confident the group is now ready to take advantage of any upturn in demand.

A breakdown of trading profits, amounting to £965,000 (£2.03m), shows: food division £1.21m (£1.18m); packaging division £323,000 losses (£312,000 profits); engineering division £269,000 losses (£70,000); and overseas division £352,000 (£626,000).

Commenting on these figures the directors say the food division maintained profitability in extremely competitive conditions by substantially increasing sales. The packaging and engineering divisions were badly affected by the recession resulting in reduced sales.

The French companies increased sales for the fourth successive year but profitability fell sharply in the second six months.

During the year it was decided to cut production capacity in the engineering and packaging divisions by closing two factories and a warehouse. These closures, announced in March 1982, should be effective by July 1982. The cost of redundancies, plant and stock write-downs estimated at £1.99m, have been debited as extraordinary items.

Tax took £214,000 (£419,000) leaving net losses of £14,000 (£1.09m profits). After the extraordinary items, currency translation credits of £2,000 (£27,000 debits) and preference dividends of £25,000 (same), the attributable losses emerged at £2m (£854,000 profits).

● comment

The 86.7 per cent decline in pre-tax profits at Scotcros reflected the decrease in the engineering and packaging divisions and the French subsidiaries. Only the food division turned in slightly improved results and these hardly set the heather alight because of the squeeze on margins. Wine sales were boosted because of the volume growth in the cheaper products range. The company blames four factors for its plight. First, severe price competition has frozen prices. Secondly the switch to metrication by biscuit manufacturers led to considerable customer destocking in the winter. Thirdly, the continued slump in UK construction hit an engineering division which exports only a fifth of its output, and fourthly, severe Italian and German competition against Scotcros' French subsidiaries. Scotcros plans to concentrate on the drinks side of the business, handling and labelling machinery exports. Interest charges were up 50 per cent as the gearing ratio rose from 30 per cent to 50 per cent. Capital spending has tailed off sharply and the company regards 1982-83 as a period of consolidation. The shares closed 1p down at 59p, yielding 9 per cent.

Yearlings 12¾%

COUPONS on UK municipal authority fixed interest bonds fell by a uniform ½ point at this week's issue, with one year or yearling bonds down to 12¾ per cent from 13¼ per cent at par pricing. A full list of issues will appear in tomorrow's issue.

Sketchley jumps 41% and makes a £7m cash call

ANNOUNCING BETTER than expected results for the year to April 2 1982 with pre-tax profits some 41 per cent higher at £7.28m, Sketchley the dry cleaner and clothing hirer is calling for around £7m by way of a rights issue on the basis of two-for-nine at 215p.

At the time of the unsuccessful offer for Means Services of Chicago in February, the directors were forecasting profits of not less than £6.9m. They also foresaw a final dividend of 7.3p and this has now been declared, lifting the total payment from 9p to 10.5p net.

It was the bid for Means which indirectly led to the current cash call, for stemming from that offer Sketchley became aware of Rentex Services Corporation, a linen and garment rental company based in New Jersey, and agreed to take 70 per cent of that company's stock with a merger agreement to acquire the balance.

The directors explain that workwear rental and servicing accounts for the major part of group profits and, following the Rentex agreement, they consider there will be further opportunities for expansion. In order, therefore, to take advantage of these is has been decided to broaden the company's equity base.

They point out that the acquisition of Rentex is being financed from a medium-term loan, and say the proceeds of the rights will accordingly be placed on deposit for the time being.

The issue of the 3.38m new ordinary shares, payable in full on acceptance, will be underwritten by Morgan Grenfall and Co. Apart from the final dividend for 1981-82, the new shares will rank pari passu with existing capital and it is expected that dealings (nil paid) will begin on June 11.

	1981-82 £000	1980-81 £000
Profit on trading*	7,495	8,318
Interest received	147	1980
Sharing scheme	367	173
Profit before tax	7,275	5,163
Tax	3,053	2,155
Profit after tax	4,222	3,008
Extraordinary debit	418	302
Attributable	3,806	2,706
Preference dividends	6	6
Interim ordinary	486	423
Final	1,109	938
Retained	2,205	1,339

* After depreciation of £2.73m (£2.37m). † Paid.

Sales for the year under review were £81.5m (£59.9m) and trading profits rose from £6.32m to £7.5m, mainly as a result of the absence of a loss from Greaseaters which last year totted in a deficit of £1.05m on turnover of £635,000.

A breakdown of sales and profits of the remaining divisions show (£000 omitted): industrial £26,438 (£25,489) and £5,028 (£5,276); cleaning £28,708 (£26,322) and £2,583 (£1,708); textile £6,354 (£7,424) and loss £280,000 (£177 profit). Non-trading properties added £166,000 (£202,000) to the trading surplus.

Earnings per 25p share are stated at 27.8p (19.9p), while pre-tax profits on a CCA basis are shown at £6.11m (£3.44m).

By the year end all borrowings had been eliminated and cash at bank and on deposit totalled £3.85m.

As regards the current year the directors say they are confident the company will continue to progress.

● comment

Sketchley's freedom to grow in the UK has for some time been fairly limited. Expansion in dry cleaning would have, given the maturity of the industry, to be by acquisition. But Sketchley's market share was large enough five years ago to spark off a monopolies reference when it tried to buy Johnson Group, and that route is presumably still closed. For the time being, at any rate, the hiring out of industrial workwear has inevitably ceased to be a growth business, although long-term prospects for expanding the UK market probably remain favourable. So the inclination to look overseas, particularly in the U.S., is easily enough understood. One medium-sized U.S. acquisition in textile rental—rather smaller than Sketchley's original quarry—is now to be followed by others of the same general sort. Sketchley's shareholders will probably agree that this is going to be good for the pre-tax line, though the likely effect on earnings per share is less clear. In any event, the present rights issue is obviously more favourable to shareholders' interests than the placing which was planned in February. The results for the year to April 2, meantime, show the expected lift from elimination of Greaseating, and a very impressive efficiency improvement in the dry cleaning division. The ex-rights yield, based on yesterday's price of 269p—up 3p—is 6 per cent.

McCarthy & Stone sees upsurge

McCarthy and Stone, a property development company which specialises in housing for the elderly, forecasts an increase in pre-tax profits of at least 40 per cent for the current year, ending in August.

The company—which published its prospectus yesterday prior to a listing on the Unlisted Securities Market—is placing 1.25m shares at 137p each or 15 per cent of its equity.

At this price, McCarthy and Stone is capitalised at about £11.4m. The company was founded by Mr John McCarthy and Mr William Stone in 1961 but it did not move into housing for the elderly until 1977.

Since then, turnover has grown from £796,000 to £4.53m for the year to August, 1981. Pre-tax profits in 1977 were £49,000 and by 1981 had grown to £1.43m. In the six months ended last February, the company recorded profits of £1.03m. It forecasts profit before tax for the current year will be not less than £2m.

Of the shares to be placed, 416,665 have been sold by Mr McCarthy and Mr Stone. The first-named retains 35.7 per cent of the shares, and Mr Stone has 24 per cent.

The 833,330 new shares will raise approximately £1m for the company. This sum will be applied toward the group's borrowings and will be used to help finance further developments.

McCarthy & Stone has some £4m borrowings, comprising £2.7m of bank loans and £1.3m in bank overdrafts. After the placing, the company's ordinary shares will have a net asset backing of 54p.

Dealings on the USM are expected to begin next Monday. County Bank is handling the placing. Stockbroker to the company is de Zoete and Bevan.

● comment

McCarthy and Stone says there are 11m people in the UK over the age of 60 and only 5 per cent are in "sheltered" housing offered by local authorities. Other developers have been apparently scared off from this business because of the warden fees, extra costs for special facilities and the after-sale management business. McCarthy and Stone jumped in feet first, keeping a keen eye on costs, it has been able to return a hefty 30 per cent pre-tax margin. In fact, the after-sale management business is now a profit centre and Government officials are apparently studying the company to see how they too can keep costs down. With a market still pretty much to itself and a slim stack of shares on offer, the company has gone for a fairly glossy rating. The shares stand on a fully-taxed prospective p/e of 11, which is a good premium to the sector even so, the prospective yield of 6 per cent is likely to decline as the shares should move to a premium, market permitting, in early trading.

Anglo Continental fall

Taxable profits of Anglo-Continental Investment & Finance Company, a wholly-owned subsidiary of Generale Occidentale of France, dropped from £3.54m to £2.69m for the six months to September 30, 1981.

Tax took much less at £10,000 (£707,000) and stated earnings per share rose to 7.8p (7.4p). The interim dividend is cut by 10p to 5p per share.

Minorities accounted for £259,000 in the corresponding period a year earlier.

R. Kitchen Tayor up at £06m

IN LINE wit Robert Kitchen Taylor's predtions of promising prospects table profits for the first half t March 31 1982 emerged at £6,000 compared with losses of £7,000 and with a surplus of £9,000 in the second six mooth of the previous year.

Earnings per n share are stated at 8.7p (2.1 losses) and the interim dividnd is being maintained at 3p n Last year, this knitwear anufacturer, textile merchant, operty investor and dealer, id a final of 7p.

Tha directors sa that all sections of the group activities showed a marked inrovement, mainly due to obtaing an increased share of t market available. The rurre pattern of trade suggests a re even flow of profits over the ar, they add.

Tax took £245,000 (£18,000 credit) leaving net pfits of £369,000 (£129,000 loss) and after minority debits of £29,000 (£17,000 credits) attibutable profits emerged at 340,000 (£212,000 following extraordinary credits of £32400).

● comment

Robert Kitchen Taylor's turn to interim profitability sws a continuation of the revery begun in the second half the year to September 1981. C the merchanting side in partilar, concentration on the up-mket fashion end of textiles aed width to margins, and the company's invlvement with thenal underwear meant good newfor winter sales. Kitchen Tayr's strategy of building up a sbstantial property portfolio as some way to go, but propey profits in the first half wereat about £200,000, more than doue those of the comparable peri, Despite an increase in workig capital, it seems that gearig has not risen much above th 42 per cent of the last year-en The "even flow of profits" alluded to by the company suggests about £1.3m pre-tax f the year, and a prospective P of 8.6. After the results, share price gained 10p to 14 but fell back to 141p, still a 1 high, and yielding 10.4 per c London Trust holds 24.5 per c of the equity.

UK COMPANY NEWS

Rotaprint rights to raise £1.3m

Rotaprint, printing and duplications equipment manufacturer, is raising a net £1.3m by way of a rights issue of 1,446,428 11½ per cent cumulative convertible redeemable preference shares of £1 each.

The directors also announce that the group has suffered losses during the year ended March 27 1982 estimated to have been not more than £1.12m, after £360,000 interest and £200,000 extraordinary debits—for the previous year the pretax loss was £533,000.

They add that the losses for 1981-82 have made the group "heavily dependent on bank borrowings."

For every seven ordinary shares of 20p, holders will be offered two convertible preference shares of £1 at a price of £1 per preference share, payable in full on acceptance.

The directors believe the issue is essential to re-establish the appropriate capital base for the company, to redress the current over-reliance on bank support and to sustain the development of the group's business.

Each preference share may be converted into 20 ordinary shares of 5p each during the years 1983-88. As the nominal value of the ordinary is currently 20p, a reduction of capital is proposed of 15p per share and to create a non-distributable reserve of the amount by which the capital has been reduced.

As a result of a £1m cost reduction programme together with the launching of a new range of electronically controlled suction machines, the group's UK current forward order position for this product is better than it has been for four years. And directors are confident Rotaprint is "well advanced in its recovery."

The rights is being underwritten by Guinness Mahon & Co and sub-underwriting arrangements are complete. Brokers are Rowe & Pitman and dealings in nil paid form will begin on July 5.

● **comment**

Once upon a time Rotaprint was queen of the offset lithographic printing industry. Its quality machines, favoured by small printers and in-house printing operations, had been sold world-wide or nearly 50 years when profits reached a peak in 1974 of £73,000 on sales of £7.3m. Competition, mainly from Japan, soon spoiled the pint. Sales have since doubled, while profits drifted in the opposite direction. By 1981, the company had tipped into a £533,000 loss. Borrowings had been mounting and a decision to launch a more competitive line of machines pushed net debt to £2.6m compared to £2.9m in shareholders' funds as of the latest balance sheet date. Hence the rights issue. Rotaprint says the net machines are moving well; order books are fattening and an overseas launch is on the cards. The company has also sliced back its staff by 45 per cent. Even so, shareholders who have asted this long with Rotaprint have reason to be impatient—Rotaprint is not likely to be re-ascending its throne in the near future. The shares closed yesterday at 10p, down 2p.

Duckham swings back into the black

ALTHOUGH turnover at Alexander Duckham was little changed at £29.1m against £29.34m, this wholly-owned subsidiary of British Petroleum swung back into profit with a pre-tax figure of £1.3m for 1981. In the previous year the company incurred losses of £507,000.

Trading profits were £1.42m against losses of £158,000. There was an extraordinary debit this time of £968,000. No tax was again payable. Stated earnings per share were 30p against losses of 12.6p.

The directors say trading conditions are expected to remain fiercely competitive throughout 1982 and continued emphasis will be applied to productivity and cost control.

£1.26m rise at Thomas Locker

PRE-TAX profits at Thomas Locker (Holdings) doubled from £1.1m to £2.36m in the year to March 31, 1982. The bulk of the increase came in the second half when profits advanced from £510,000 to £1.56m. Turnover of this screening and filtration engineer rose from £20.12m to £21.63m.

The final dividend is raised from 0.8125p to 0.92p for an increased total of 1.17p against 1.0625p.

Trading profits improved from £1.23m to £2.55m, and the pre-tax figure was struck after associate company's losses of £187,000 (£131,000). There was a tax charge of £1.25m against £480,000. After minority debits totalled £154,000 (£112,000 credits) and extraordinary debits £56,000 (£167,000), being the cost of re-structuring. Stated earnings per 5p share were 2.41p against 1.85p.

Pre-tax profits on a CCA basis rose from £541,000 to £1.6m.

Capper-Neill dives to £2.6m

DEPRESSED PRE-TAX profits have been shown by Capper-Neill for the year to March 31 1982, falling from £3.81m to £2.57m on sales slightly higher at £108.25m, against £105.43m.

At half time the pre-tax figure fell from £1.77m to £1.61m and the directors stated that they were unable to view the second half with optimism.

Although the full year figures benefited from a contribution this time of £41,000 from associates, and interest charges were slightly lower at £1.98m against £2.02m, redundancy costs rose from £818,000 to £950,000. There was also a £336,000 increase in the provision for doubtful debts.

An increase in borrowing almost offsets the benefit of lower interest rates, says the directors, although, at 38 per cent, net borrowing is acceptable.

Past problems created by the strength of sterling and high interest rates are showing their effect on profit, says the directors. The group has survived the appalling conditions of recent years without disastrous results and in the longer term, is strongly placed to take full advantage of a return to more normal trading.

However, they point out that competition has resulted in a reduction of 18 per cent in trading profit from £6.65m to £5.45m although sales have been maintained with an improvement in exports.

The depth of world recession, the falling oil price and stabilisation of energy usage have caused a cutback in capital expenditure in the petrochemical and related energy industries which represent a significant proportion of the group's process plant customers.

Site construction engineering was, again, the major contributor to group profit. Overseas the more realistic alignment of sterling has restored the ability to compete for contracts, but ever-increasing competition, particularly from the Far East, has required increased effort to maintain the order book. At home customers' expansion programmes are being set aside and in the shorter term the directors say the outlook is far from encouraging.

The factory-based companies have had to fight hard to keep overheads down. Those involved in steel fabrication products have had to reduce their activities and have had a most difficult year. The directors say that recently some factories have been experiencing an upturn which could be described as encouraging.

The dividend has been held at 4.2p net with a final of 2.1p. Earnings per 10p share were given as falling from 11.02p to 6.17p.

Tax took £923,000 (£622,000). There was a credit for minorities this time of £133,000 against a previous debit of £10,000. Last time there was a capital profit on the sale of assets of £39,000 and an extraordinary credit of £1.58m. Retained profits emerged much lower at £567,000 (£3.59m).

On a current cost basis pre-tax profits were £443,000 (£601,000).

● **comment**

Capper-Neill has had a rougher ride than expected as it fought with a very depressed home market and highly competitive international business. Adding to the injury was the £0.34m debt provision mainly relating to the collapse of De Lorean. With no real sign of upturn yet further redundancies will be necessary over the current six months, though hopefully at a lower level than the past two years. Overseas business, which accounts for a third of turnover, is reasonably healthy but faces some big league competitors. The company is also at a disadvantage compared to its counterparts, in having to fund contracts from expensive short term borrowings rather than from a strong cash position. Surgery has brought overheads more into line with lower margins available and there is promise of a better contribution from the small industrial side. But overall, with two-thirds of the business in site construction engineering, the group will be hard pressed to maintain even last year's performance. Yesterday the shares slipped 2p to 57p for a yield of 10.9 per cent and the p/e is 13, with much support probably coming from income.

RHM acts to improve bread profitability

Ranks Hovis McDougall, the food group whose bread brands include Mother's Pride and Nimble in addition to Hovis, is taking urgent steps to improve the profitability of its bread baking business.

British Bakeries, a subsidiary company, has applied for planning permission to significantly extend its Mothers Pride bakery at Newcastle in order to install a new bread production line. The cost of the investment is estimated to be £2.7m and will extend the present bakery by 15,000 sq ft.

The development is scheduled for completion by the end of 1983 and will ensure continuation of the supply of top quality bread to the Tyne and Wear area. It will also make possible the discontinuation of production in late 1983 at the Gateshead Mothers Pride bakery, which is not considered suitable for further investment.

The group hopes that new employment opportunities resulting from the Newcastle development will largely offset the loss of jobs at Gateshead and that many of the Gateshead employees will transfer to Newcastle.

The group has already announced that its Glasgow bakery is to be rebuilt over the next 18 months at an estimated cost of £11.5m, partly funded by a special grant from the Scottish Economic Planning Office.

In the first six months ending in March 1982 of its current financial year Ranks' bread companies are believed to have suffered losses of more than £5m.

EUROPAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$30	—	—	2	52	—	—	$329.30
GOLD C	$3?	31	22	5	38	—	—	"
GOLD C	$3?	35	10	10	23.50 A	4	33	"
GOLD C	$3?	3	6 A	14	15	—	—	"
GOLD C	$4?	66	2.50	6	10	—	—	"
GOLD P	$3?	1	5.10 B	20	10	—	—	"
GOLD P	$3?	20	12.10	4	18 A	—	—	"
GOLD P	$?0	80	86	1	30	—	—	"
GOLD P	$?5	1	47 A	—	—	—	—	"
12¾ NL 81 -21								
C	F.1?50	10	9.70	—	—	—	—	F.112
C	F.1.50	—	—	10	1.60 A	—	—	"
P	?10	100	0.90	—	—	—	—	"
P	F.?.50	80	2.20	—	—	—	—	"
11¼ NL 82 92								
C	.105	—	—	100	0.90	—	—	F.103
C	F.7.50	300	0.10	—	—	—	—	"
P	.100	—	—	100	0.90	—	—	"
P	.105	50	2.70	—	—	—	—	"
10 NL 82 89								
C	.00.50	10	0.20	—	—	—	—	F.88.50
		July		Oct.		Jan.		
AKZO C	F.25	30	0.60	54	1.30	—	—	F.23.60
AKZO C	F.27.50	—	—	10	1.70 A	—	—	"
AKZO C	F.30	84	0.20	65	0.40 A	—	—	"
AKZO P	F.25	10	1.40 B	60	2 B	30	2.20	"
AKZO P	F.27.50	133	3.80 B	18	3.80	—	—	"
AKZO P	F.50	—	—	16	6.20 B	—	—	"
KODA C	$70	40	3	20	5	—	—	$70⅛
HEIN C	F.60	10	2	—	—	—	—	F.60
HEIN P	F.60	10	2.20	—	—	—	—	"
HOOG C	F.15	—	—	10	1.40	—	—	F.14.80
KLM C	F.80	5	12.80 B	—	—	—	—	F.92.50
KLM C	F.90	67	6	30	9.30	7	11	"
KLM C	F.100	52	2.20	34	5.30	—	—	"
KLM C	F.110	48	1	26	3.40	8	4.40	"
KLM C	F.120	40	0.40	16	1.70	—	—	"
KLM P	F.80	102	1	21	2.80	—	—	"
KLM P	F.90	53	8.60	86	5	—	—	"
KLM P	F.100	66	9	10	10.60	—	—	"
KLM P	F.110	6	18	—	—	—	—	"
NEDI	F.110	185	7.20	—	—	—	—	F.115.30
NEDI	F.120	25	1.80	21	4	—	—	"
NEDI	F.130	10	0.50	—	—	—	—	"
NEDI	F.140	32	0.10	—	—	—	—	"
NEDI	F.110	—	—	22	3.10	—	—	"
NAT C	F.115	35	1	—	—	—	—	F.114.30
NAT P	F.120	7	7	—	—	—	—	"
PHI C	F.20	—	—	5	3.60	—	—	F23
PHI C	F.22.50	555	1	140	1.80	19	2.20	"
PHI C	F.25	126	0.20	159	0.80	85	1.10	"
PHI C	F.27.50	—	—	5	0.30	10	0.60	"
PHI P	F.28.50	71	0.50	130	0.90	—	—	"
PHI P	F.25	—	—	—	—	10	2.40	"
RD C	F.80	35	12	—	—	—	—	F91.80
RD C	F.90	74	3.40	47	5.20	—	—	"
RD C	F.100	12	0.40	244	1.60	—	—	"
RD P	F.90	217	1.80	25	3.80	15	4.50	"
U C	F.140	130	1	30	2.80	—	—	F.145.60

TOTAL VOLUME IN CONTRACTS: 4606

A = Asked B = Bid C = Call P = Put

Wormalds Walker losses increase to £340,628

CONTINUING WEAKNESS in demand was stated by the directors of Wormalds Walker Atkinson, woollen textile manufacturer, as being reflected in increased losses from £223,756 to £340,628 for the year to February 27 1982.

The weak demand for certain of the group's products is a result of world recession, say the directors, which has particularly affected sections of the UK textile industry.

Turnover slipped from £3.07m to £2.19m.

At the interim stage pre-tax losses rose from £63,726 to £126,975.

Conscious of the need to improve profit performance, the directors have decided to diversify in "a substantial way" into another field of activity outside the company's immediate knitted products and dyeing interests.

Short-time working and a reduced workforce were introduced last year as a result of reduced orders from major customers. The directors point out that there has been no upturn in demand from these customers. Adverse trading conditions have particularly affected the ladies cloth division, which was a small but significant contributor to turnover.

Nevertheless, there has been a continuing demand for high quality blankets in the UK and overseas. Despite reduced costs the remaining blanket turnover has not been enough to avoid continuing losses.

Pre-tax losses were struck after reorganisation costs this time of £58,208. Depreciation was slightly lower at £41,947 (£43,224). Bank interest was reduced from £60,426 to £56,430.

On a CCA basis there was a pre-tax loss of £454,844.

On May 25 directors agreed to the offer for its shares by Hainsworth & Sons.

Atkins Bros. rises and pays more

Taxable profits of Atkins Brothers (Hosiery) finished higher at £516,000, compared with £448,000 for the 12 months to March 31 1982 despite a slight decline in the second half from £383,110 to £364,390.

A final dividend of 3.65p (same) raises the net total by 0.35p to 5p per 25p share.

Full-year turnover slipped from £12.26m to £11.97m. Tax took much the same at £149,000 (£146,000).

Carr's Milling rises despite tight margins

COMPETITIVE pressures kept margins tight, say the directors at Carr's Milling Industries after figures for the first six months showed a rise in pre-tax profits from £480,000 to £578,000.

Sales for the 27 weeks to March 6, 1982 were £20.99m, against £19m for the previous 26 weeks. The directors say that a satisfactory level of turnover was achieved by flour milling, animal feeding stuffs and bakery businesses. However, they add that the trend of tight margins is continuing.

Group profits reflected better results from agricultural interests, they say, and in particular a strong and sustained recovery by the agricultural marchanting subsidiary.

The charge for tax rose from £27,000 to £37,000. The interim dividend is raised from 1.25p to 1.75p net — last year's total was 4.25p.

ROWLINSON

Rowlinson Constructions Group has changed its name to Rowlinson Securities. The effective date of the Certificate of Change of Name is dated May 21 1982.

Fleet Letter expansion: pays 1p above forecast

PRE-TAX profits of USM quoted company Fleet Street Letter expanded from £301,000 to £412,000 for the year ended March 31, 1982 and the dividend is boosted from 0.4p to 3.5p net per share — a 2.5p payment was forecast.

In their interim report the directors announced taxable profits of £149,450 (£39,554), and were confident the full year's results would "comfortably exceed those for 1980/81."

Turnover for the year went ahead to £871,000, against £671,000, and the tax charge was £214,000. After an extraordinary debit of £57,000 — flotation costs—the balance was £141,000.

Earnings per share are given as 6.6p, compared with 4.5p.

● **comment**

Think of a company earning a return on capital of more than 200 per cent, whose margin on sales is not far short of 50 per cent, and it may not seem too surprising if the shares have appreciated by 88 per cent since their flotation ten months ago. Puzzled? Answer is the Fleet Street Letter, which has been raking in cash — by way of advance subscriptions, mostly — banker's order — to such effect that its income on deposits has almost doubled in the last year. ... the cash built up, FSL is beginning to look for some similarly cash-generating businesses to buy: minority shareholders on the USM should perhaps watch for signs of Fleet Street issuing more paper, to make these acquisitions. Meanwhile, costs are being kept under control, without any effect on the fortnightly output of tips. Circulation is currently stable at about 13,000, but weather and political crisis serving to put off any promotional efforts until the autumn. After a higher dividend than indicated, the shares still yield only 5.3 per cent, reflecting the growth record, but also suggesting that they have a public.

SPAIN

June 8	Price %	+ or −
Banco Bilbao	358	
Banco Central	342	−2
Banco Exterior	309	
Banco Hispano	316	
Banco Ind. Cat.	114	
Banco Santander	331	
Banco Urquijo	191	−2
Banco Vizcaya	328	
Banco Zaragoza	250	
Dragados	140	+4
Espanola Zinc	70	
Fecsa	65.0	−1.2
Gal. Preciados	25	
Hidrola	66	−1
Iberduero	51.0	−0.5
Petroleos	86.5	−0.5
Petroliber	99	
Sogefisa	10	
Telefonica	70.7	−0.3
Union Elect.	61.0	−1.5

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BIDS AND DEALS

Lookers proceeds with Braid bid

Lookers, the Manchester-based vehicle distributor, will continue with its £3m bid for the Braid Group despite the fact that this will lead to the loss of Braid's Ford main dealer franchise in Macclesfield.

A second Ford dealership at Burton-on-Trent has also been the subject of discussions. However, Lookers said yesterday that it understands it would be the preferred candidate to continue this franchise.

These two dealerships have come under review because Ford does not allow franchises to operate rival dealerships within 30 miles. Sales of Ford vehicles account for 23 per cent of Braid's turnover.

Selling Macclesfield will be done with the full co-operation of Ford, protecting the rights of those involved, Lookers said.

"This will in no way upset the major commercial benefits we expect from the merger of our two companies," it added in a letter to shareholders.

Lookers said it had no intention of relinquishing the shareholding it had built up in Braid, which now amounts to 1.34m shares or 22.3 per cent of the equity. This follows the purchase on Monday by Bolling Investments, a Lookers subsidiary, of 25,000 ordinary shares at 50p.

Lookers' full bid consists of 50p for each ordinary share and the same for each preference share with the alternative of a Lookers' loan note.

Approach to St George's

St George's Group has received an approach which may lead to an offer. Shares in the linen hire and laundry group added 6½p yesterday to 138p where the market capitalisation is £6.8m.

Given that the board, headed by Mr Peter Dellar, took up 25.2 per cent of the recent rights issue—pitched at 74p per share to raise £830,000 net—it is probable that the approach, if brought to a conclusion, would only lead to an agreed bid. St George's net worth at February last year amounted to £3.6m, after an adjustment for two subsequent acquisitions.

Further details of the current negotiations are expected shortly but Spring Grove, the cleaning group which shares with St George's the merchant bank, Charterhouse Japhet, as financial advisor is widely rumoured to have made the approach.

MacLellan asks for suspension

The board of Glasgow-based P and W MacLellan yesterday requested a suspension of dealing in the group's shares pending details of an acquisition. It is unlikely that the deal will be concluded, however, before the beginning of next week.

The suspension price was 36p and the market capitalisation of £1.1m is broadly in line with net asset value. Following the sale in recent years of its steel and paint interests, MacLellan's activities have been confined to fastener distribution.

THORN EMI

Thorn EMI Lighting has formed Thorn EMI Lamps and Components to handle combined embodiment sales of light sources and gear as well as sales of photographic, projector, studio, automobile and miniature lamps to specialist distributors.

Peabody Intnl. acquires two UK companies

Peabody International Corporation of the U.S. has acquired two UK-based companies for an undisclosed sum. The companies are Vactor, a licensee for the Peabody Myers range of Vactor municipal and industrial cleansing equipment, and Industrial and Municipal Pollution (IMP), a contract cleaning concern.

The U.S. group, which already had a 20 per cent interest in Vactor, purchased Boughton group's 60 per cent stake and the 20 per cent interest of Mr Peter Newmen, who formed Vactor in 1973 in conjunction with Boughton.

Mr Newman has become managing director of newly-formed Peabody Vactor and IMP, which become part of Peabody International's fluids materials handling division.

Peabody Vactor will continue to assemble and distribute units of the Peabody Myers range of equipment, primarily for the UK, and in addition, will continue to supply East and West Europe, Africa, India and some of the Far and Middle East and Asian markets. IMP provides sewer cleaning services throughout the UK using Vactor equipment and plans to expand both the municipal and industrial markets.

Mr. Newman said Vactor's turnover this year would be over £1m and that of IMP about £1m. He hoped these figures would double in 1983.

PARAMBE/O'DAIR

In accordance with the terms set out in the circular to shareholders dated July 3 1981 whereby all the issued share capital of O'Dair Brothers was to be acquired by Parambe the total consideration has been agreed at £186,424. 650,565 ordinary shares of Parambe—valued at £149,630—were issued on completion. Accordingly, as full and final consideration a further 159,975 ordinary shares are being issued to the vendors making a total of 810,540 shares (17 per cent).

DAWSON INTNL.

Dawson International has completed the disposal of John Haggas (Knitting) and the business of John Haggas.

ABERDEEN LAND

The recent offer by City of Aberdeen Land for the whole of the issued capital of General Trust and Heritages has been accepted in respect of 12,850 ordinary shares (85.66 per cent) and 12,662 preferred shares (86.63 per cent) and 39,000 deferred (97.5 per cent).

The company intends to extend the offers in respect of each of the three classes of shares until June 18.

SHARE STAKES

Jayplant — Nicholas Langley-Pope, chairman, has acquired 60,000 ordinary shares making interest 6,754,312 (35.27 per cent).

London and Lennox Investment Trust—London and Manchester Assurance has purchased a further 50,000 ordinary shares making holding 2,167,565 ordinary (12.07 per cent).

Cole Group — BRP Securities subsidiary of Bajau, holds 284,500 ordinary shares (9.5 per cent).

Modern Engineering of Bristol (Holdings) — J. O. Adler, director, notifies that 341,249 shares have been transferred to beneficiaries under trust. His resultant interest as trustee is 170,625 shares (5.69 per cent).

Widney (formerly Hallam Sleigh and Cheston)—The Iron Traders Employers Insurance Association, has purchased 565,000 new nil paid ordinary shares. When call is paid this amount will represent 6.5 per cent of total issued equity capital.

Mercury Money Market Trust—Nutraco Nominees have increased their holding from 9.54 per cent to 20.22 per cent.

Marks & Spencer to spend over £300m

MARKS AND SPENCER, the St Michael brand stores group, continues to invest heavily, and has budgeted more than £300m to be spent over the next four years in property, buildings and equipment, Lord Sieff of Brimpton, chairman, tells members in his annual review.

He says that new stores were opened in Truro, Exeter, Brentwood, Redditch and Bexleyheath during the 1981/82 year. Stores are being built in Stratford-upon-Avon, Epsom, Banbury, Enfield, Carmarthen, Dumfries, and Horsham, and the group has extended existing units in Bury, Boston, and St Helens.

The company is also extending stores in Wolverhampton and Wakefield, he adds.

As reported on April 30, group sales for the 53 weeks ended March 31 1982 expanded from £1.87bn to £2.2bn and pre-tax profits rose by £41m to £222m. The dividend is stepped up to 4.6p (3.8p) net with a final distribution of 2.85p.

Total UK exports increased from £47.6m to £58m during the period and export sales outside the group went ahead by 18.8 per cent to £26.5m.

In the notes to the annual accounts it is revealed that the company is the owner or lessee of properties costing a total of £1.8m, each of which is let or sub-let to a director at a rent equal to the annual value of the property concerned.

Each director with the exception of Sir Derek Rayner, a managing director, also has an option to purchase the company's interest in the property concerned before the end of the relevant lease, at its cost to the company.

Lord and Lady Sieff have a five-year lease, as from July 24 1979, on a property costing the company £425,000.

As at March 31 group fixed assets amounted to £1.12bn (£653.7m), current assets £312m (£268.9m) and current liabilities £369.2m (£299.1m). Total capital employed was £1.12bn (£648.4m) and ordinary shareholders' funds totalled £1.06bn, against £596.4m.

A statement of source and application of funds shows a £1.7m decrease in working capital, compared with £44m last time. Cash and short term funds at the year end were £151.5m (£121.6m).

Meeting, Royal Lancaster Hotel, W, on July 1 at 11 am

Brook Street faces difficult year ahead

THE TROUBLES of staff recruitment agency Brook Street Bureau of Mayfair are not yet over, Mr Eric Hurst, joint chairman, with his wife Margery, says in his annual statement.

"Despite the more favourable indications which now exist in the economy, the remainder of 1982 will continue to exert pressures upon the company and its staff," he says.

As reported on April 27, the group made pre-tax losses of £1.53m (£1.34m profits) in 1981 on turnover of £14.52m (£22.05m), while losses per 10p share were stated at 10.39p (7.49p earnings). A nominal dividend of 0.1p net (2.135p) was recommended.

The group reacted by contracting its branch network but Mr Hurst says it has taken care to retain the ability to expand rapidly to meet demand when business activity increases.

"We have taken the view that as the country gradually emerges from recession, industry will require to re-recruit skills, but although higher technology may mean fewer vacancies, this is unlikely to reduce significantly the resources which will need to be deployed on recruitment," he says.

Demand for temporary staff remained more buoyant than that for permanent staff throughout the recession, while the bureau had a "moderately-successful year" in both Australia and the U.S., where it has opened a new branch, he adds.

At the year end shareholders funds stood at £3.26m (£4.22m) and fixed assets were valued at £1.96m (£2.33m). Net current assets came to £1.44m (£2.28m) including bank balances and cash of £1m (2.87m). During 1981 there was a decrease in working capital of £2.32m (£603,598) and the remuneration to each of the joint chairmen rose from £52,808 to £56,570.

Meeting: Europa Hotel, W, July 5, noon.

Myson borrowing limit up

THE DIRECTORS of Myson, the heating and air-conditioning group, are confident that shareholders will approve plans to raise the company's borrowing limit to three times shareholders' funds.

Myson will put this proposal to an extraordinary meeting ahead of the annual meeting this Friday. Following a difficult year in 1981 when shareholders' funds fell to £4.6m Myson has been in technical breach of its articles which limit borrowings to twice shareholders' funds. Borrowings are now about £12m.

Mr John Salkeld, deputy chief executive, said he thought the extraordinary meeting would be a "non-event" since the company's bankers, Barclays, had approved the new limits. The nine financial institutions, known as the Moonrick syndicate, which took an 81.6 per cent stake in Myson last year, are also expected to back the proposal.

"We had a clearing up effort this year and wrote down the assets which were not worth the money," commented Mr Salkeld. "But our earning power was not affected."

Myson more than doubled its taxable loss to £7.12m in 1981 on turnover which was 13 per cent lower at £46.31m and passed its dividend.

The Welsh Development Agency owns 5.8 per cent of the equity.

Under the new proposal borrowings will be related to shareholders' funds or share capital, whichever is the greater.

LONDON TRADED OPTIONS

June 8. Total Contracts 1,684 Calls 1,257 Puts 327

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
Racal (p)	390		—	13	1	19	—	"
Racal (p)	420	1¼	5	25	2	32	10	"
RTZ (c)	420	16	10	38	13	47	3	412p
RTZ (c)	460	7	6	20	—	30	5	"
RTZ (p)	320	6	10	13½	—	—	—	"
RTZ (p)	420	17	15	28½	—	37	10	"
RTZ (p)	460	60	—	60	—	60	3	"
Vaal Rfs. (c)	40	7½	23	9	—	—	—	$46
Vaal Rfs. (c)	45	4	10	6¾	—	6	—	"
Vaal Rfs. (p)	45	3¼	2	6½	—	6½	—	"
Vaal Rfs. (p)	60	6½	3	9	—	10⅛	—	"

C=Call P=Put

RESULTS AND ACCOUNTS IN BRIEF

MORLAND SECURITIES — Income £14,000 (£32,000) for six months September 30, 1981. Pre-tax prof £8,000 (£21,000). Tax £2,000 (£8,000). Following expiration of mining leases in Malaya, company was unable to carry on its activities and had not actively traded for several months. Results shown include income derived from holding of Lonrho shares and from cash deposits. Chairman anticipates that results of trading to March 31, 1982, will be available shortly, giving details of results of activities carried on by company for the year, including results of enlarged group for three months to the year-end.

BARLOWS (packer and warehousemen)—Dividend 6p (4p) net for 1981. Group turnover excluding freight recharges £580,270 (£596,162). Pre-tax profit £45,012 (£21,861). Tax £15,854 (£4,636). Earnings per £1 share 10.1p (5.9p). CC pre-tax profit £33,000 (£5,000).

LAND SECURITIES INVESTMENT TRUST (property development and investment)—Results for the year to March 31 1982 reported May 19. Assets employed £1.98bn (£1.8bn), including properties £1.85bn (£1.67bn). Other fixed assets £2.94m (£1.55m) and short term deposits £83.37m (£102.1m). Shareholders' funds £1.59bn (£1.43bn). Commitments for future capital expenditure £108.2m (£60.3m), made up of authorised but not contracted £56m (£13.5m) and under contract £52m (£46.8m). Decrease in net liquid funds £21.21m (£88.26m increase). Meeting: Devonshire House, W., [illegible] 5, noon.

Maibl advances by 12%: makes new debt provision

BY PAUL TAYLOR

THE OLDEST of the UK-based consortium banks, Midland and International Banks (Maibl), which is 45 per cent owned by Midland Bank, yesterday announced pre-tax profits up by 12 per cent at £12.7m in the year ending March 31.

After tax of £5.7m, profits increased by 15.4 per cent to £6.98m.

A new general provision for doubtful debts of £5.8m—reflecting growing uncertainties in particular parts of the world like Latin America, following the Falklands invasion, and Poland—was precisely matched in the consolidated profit and loss account by a tax credit generated by further reducing the provision for deferred tax.

After payments to minority interest and a final dividend of £2.5m compared with £2.2m last year, retained profits decline by £904,000 to £4.41m.

Maibl's total liabilities increased from £1.24bn to £1.4bn after £5m retained earnings were capitalised by issuing 5m new £1 shares to existing shareholders on a one-for-four basis.

The accounts also reveal a substantial increase in the bank's lending last year. Loans increased from £585m to £710m and, following its new status from August 1981 as a bank whose bills are eligible for discount at the Bank of England, acceptances grew from £19.7m to £87.6m.

Sir David Barran, who retired last week as chairman and was succeeded by Sir Donald Barron, Midland Bank chairman, said in his statement that the increase in pre-tax profits was a "worthwhile achievement in a year when it has become prudent to make specific provisions in respect to loans to some customers and to take profit interest on receipt and not on an accrual basis in those cases where we have any doubt whatsoever about eventual receipt."

The bank does not reveal its exposure in particular countries although Mr J. Jennings, the managing director, said the bank's exposure in Poland and Argentina was such that "I could write it off and you wouldn't even notice it."

Maibl, whose other shareholders are the Toronto-Dominion Bank group with 26 per cent, Standard Chartered Bank with 19 per cent and the Commercial Bank of Australia with 10 per cent, has again had its accounts qualified by auditors Ernst and Whinney because it does not provide current cost accounts.

Pentos continues legal fight and sees much-improved results

Pentos, the diversified holding company, plans to sell off peripheral assets worth £2m this year while continuing legal actions arising from its acquisition of the Caplan Profile group.

The company, whose interests range from Athena print shops to engineering, construction and office furniture, expects a substantial improvement in this year's results, the chairman, Mr Terry Maher, told yesterday's annual meeting.

Pentos has no plans for the sale of further mainstream activities. This follows the disposal of Cedarworth Homes, including some property, for £2.63m and a £3.4m management buy-out of Ialis Homes and Gardens earlier this year.

The company intends to pursue claims against Singer and Friedlander, financial advisers to the Caplan group, and against Malvern and Co, Caplan's auditors, Mr Maher said.

Pentos bought Caplan in 1979 for Pentos shares then worth just over £7m. It subsequently discovered net tangible assets, put at just over £3m, had been overstated by £950,000 while profits for the year ended August 31, 1979, forecast at £1.4m emerged at only £789,000.

Claims against Caplan's directors and shareholders and against Pentos' own auditors have been settled, although liability was denied. Pentos has received payments and credits worth £454,105 and is entitled to receive a further £700,000 from the Caplan family on or before December 31, 1984, Mr Maher said.

The remaining claims, which have been denied, against Singer and against Malvern are due to be heard by the High Court in October.

Pentos takes the view, on the basis of legal advice, that its prospects of success and the size of its claim against Singer makes it imperative to press on. Prospects of success in the claim against Malvern are also good although there may be difficulties in full recovery, Mr Maher said.

Pentos significantly reduced losses in the first four months of the year, he told shareholders, which was due to reduced costs and interest charges. Export sales rose slightly but there is no sign of any recovery in UK demand.

Good payments from Libanon & Doornfontein

BY KENNETH MARSTON, MINING EDITOR

FINAL DIVIDENDS declared by the South African gold producers in the Consolidated Gold Fields group include a much better than expected payment from Libanon of 140 cents (72p). This makes a total for the year to June 30 next of 220 cents against 330 cents for the previous 12 months.

Doornfontein also comes out well as far as market expectations are concerned with a final of 120 cents. This brings the 1981-82 total to 200 cents against 335 cents for 1980-81.

Kloof's final of 150 cents to make 270 cents against 400 cents is much in line with expectations. So is that of 135 cents from Driefontein which brings the year's total to 235 cents; it will be recalled that the company was created last July from the merger of East and West Driefontein.

There may be some mild disappointment that the young Deelkraal is remaining out of the dividend list after having declared a maiden half-year dividend of 5 cents in December 1980.

But after having shown some recovery in the second half of last year the mine's profits fell back again in the first quarter of this year. The directors thus state that they have decided not to declare a dividend in view of the low gold price and the need to conserve cash resources.

The group's latest dividends are compared in the following table.

	June, 1982 cents	Dec, 1981 cents	June, 1981 cents	Dec, 1980 cents
Deelkraal	—	—	—	*5
Doornfontein	120	*80	200	*135
Driefontein	135	*100	—	—
Kloof	150	*120	240	*160
Libanon	140	*80	200	*130
Venterspost	55	*35	135	*100
Vlakfontein	20	*15	10	*40

* Interim.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Camford Engineering, Comet, Westland.

Finals: Ariel Industries, Brownlee, Carless, Capel and Leonard, Electra Investment Trust, Eve Industries, Great Portland Estates, Highams, Pegler-Hattersley, United Electronic, Valor, W. Williams.

FUTURE DATES

Interims:—

Cronite .... †June 15
Flexello Castors & Wheels ...... June 17
Glass Glover .... June 29
Kenning Motor .... June 14
Lincroft Kilgour .... June 30

Finals:—

Anglo-Indonesian .... June 15
Brit. Stdn. & Engg. Appliances July 8
Geevor Tin Mines .... June 16
HAT .... July 13
Wedgwood .... June 16

† Amended.

Malaysian tin outputs

INCREASED PRODUCTION of tin concentrates was achieved by most companies under the control of Malaysia's Pernas Charter Management last month, the total amounting to 1,679 tonnes against 1,578 tonnes in April.

Tronoh's output, however, fell to 40 tonnes from 44 tonnes in April and the total for the first five months of the year amounts to 214 tonnes compared with 251 tonnes in the same period of 1981.

The company expects the year's total to be below that of 1981. Thus with the quota imposed on export sales by the International Tin Council and the lower metal prices Tronoh faces the prospect of a fall in earnings this year.

The big Malaysia Mining Corporation has produced 7,838 tonnes in the first 11 months of its year to June 30; it was enlarged by the merger with Malayan Tin Dredging last year.

Also doing well is Ayer Hitam with an 11-month output of 1,569 tonnes against 1,245 tonnes a year ago and Tongkah Harbour with a total for the same period of 376 tonnes against 352 tonnes.

	May tonnes	April tonnes	Mar tonnes
Aokam	117	106	119
Ayer Hitam	125	123	112
Berjuntai	307	260	260
Kamunting	15	15	17
MMC	770	738	756
Sungei Besi	83	85	92
Tongkah Harb.	23	26	53
Tronoh Mines	40	44	52

Yelverton to apply for USM listing

With the announcement of a fall in half year taxable profits from £76,121 to £20,004, the directors of Yelverton Investments say they now plan to proceed with their application for a listing on the Unlisted Securities Market.

They believe the company is poised for solid growth in both profits and asset values they add.

Tax for the half year to April 30 1982 took £2,400 (£1,289) and net asset value per share is stated at 22p (same).

The results for half year include the dividend of 0.55p per share on 2.15m shares in Burma Mines declared on April 19 in respect of 1981.

London Prudential pays more

Revenue of the London Prudential Investment Trust came out just ahead at £320,232, against £297,484, for the year ended April 30 1982, after tax of £150,360, compared with £169,496.

The dividend is stepped up from 4.85p to 5.3p net per 25p share, with a final distribution of 3.05p, and will absorb £318,000 (£291,000).

Earnings per share are shown as 5.34p (4.96p) and after deducting prior charges at par, net asset value is given at 140p, as at April 30, compared with 147.5p a year earlier.

Gross revenue came to £551,908 (£527,247) and expenses and interest totalled £81,316 (£60,267).

APPOINTMENTS

Three top men join Standard Chartered

Sir Denis Hamilton, Mr John Page and Sir Raymond Pennock have been appointed to the board of the STANDARD CHARTERED BANK.

Sir Denis is chairman of Reuters and was formerly chairman and editor in chief of Times Newspapers.

Mr Page, a former chief cashier and executive director of the Bank of England, is chairman designate of the Agricultural Mortgage Corp and on the board of the Nationwide Building Society.

Sir Raymond is chairman of BICC, formerly deputy chairman of Imperial Chemical Industries and until recently president of the Confederation of British Industry.

★

Mr Robert Haslam has been appointed a member of the board of directors of CABLE AND WIRELESS and becomes a non-executive director. He is one of two directors nominated by the Government. Mr Haslam is deputy chairman of Imperial Chemical Industries.

★

Mr Anthony Burton has joined the partnership of stockbrokers, McANALLY, MONTGOMERY AND CO. He continues as head of the firm's corporate finance department.

★

BANKERS TRUST COMPANY OF NEW YORK has appointed Mr Magnus Lagercrantz vice-president in the world corporate department. Currently based in Frankfurt and responsible for business development in the Scandinavian multi-national corporate sector, he will transfer to London at the end of 1982.

★

Following the offer for FEDERATED LAND by the British Steel Corporation Pension Fund the following representatives of the Pension Fund have been elected to the board of Federated: Mr Claud Osborne, Mr Paul Oldham, Mr Stuart Colley, Mr Richard English and Mr Michael Clarke. Mr Arthur Richards has resigned as chairman, but remains on the board as a non-executive director. Mr Osborne has been appointed chairman, and Mr Oldham has been appointed deputy chairman. Mr Peter Meyer has resigned as managing director, but remains on the board as a non-executive director. Mr Trevor Slater has been appointed managing director in his place. Mr Raymond Pyne continues as director and company secretary. Mr Cyril Smellie continues as a non-executive director.

★

COUNTY PROPERTIES, the development arm of Assam Trading (Holdings) has appointed Mr Michael Burdon and Mr John Bornley to the board.

★

ELBAR INDUSTRIAL has appointed M Etienne Allard a director. He is a director of Tanks Consolidated Investments.

★

NORMAN INSURANCE has appointed Mr Walter H. Pride to the board. He was senior vice-president of INA International Corpn.

★

LAND DECADE EDUCATIONAL COUNCIL has appointed Major General R. P. W. Wall as its first director.

★

Mr David E. Tench has been reappointed chairman of the DOMESTIC COAL CONSUMERS' COUNCIL. He is legal adviser to the Consumers' Association.

★

Mr David Melzer has been appointed director of exploration and production of PREMIER CONSOLIDATED OILFIELDS, replacing Dr James M. Dorreen who becomes a consultant to the company. Mr Melzer was previously director in charge of exploration at Tricentrol Oil Corporation. Premier Consolidated is a British independent exploration company.

★

Mr George D. Craigen, superintendent—branch department, head office, of THE ROYAL BANK OF SCOTLAND GROUP has been seconded to the group as head of group planning. Mr William Armitage, operational research analyst, head office, data processing—systems planning, has been seconded to the group as assistant head of group planning.

★

Mr Jan Capp has been appointed managing director of COLOURSET LITHO, Deptford. He was previously managing director of the Greco Shield printing services subsidiary, Press and Post.

★

Mr James Lunn has been appointed personnel director of SPINNEY'S (1948). Previously he was personnel director of Liofood Holding.

★

Mr Christopher Sharp has been appointed deputy chief executive of NORTHERN ROCK BUILDING SOCIETY. He has been an assistant general manager of Northern Rock since 1978.

ENERGY REVIEW

Whitehall chill over renewable sources

By Ray Dafter, Energy Editor

GOVERNMENT SPENDING ON ALTERNATIVE ENERGY

DEPARTMENT OF ENERGY RESEARCH AND DEVELOPMENT BUDGET FOR RENEWABLE ENERGY AND ENERGY UTILISATION

£'000 (outturn prices)

	1978/79	1979/80	1980/81	1981/82 (estimate)	1982/83 (forecast)
Wind	114	426	772	900	
Wave	1,746	2,963	3,316	3,990	
Geothermal	162	1,277	2,248	6,800	
Solar	132	1,118	789	500	
Tide	85	612	1,409	400	
Biomass	—	117	242	400	
Conservation	237	172	229	400	
Coal liquefaction and miscellaneous	28	312	480	300	
Totals	2,524	6,997	9,485	13,600	11,000–12,000
ETSU* Services	1,489	1,916	3,141	4,000	approx. 4,000

* Energy Technology Support Unit, Harwell

Source: Department of Energy

"RENEWABLE energies provide a very valuable insurance policy," says Mr David Mellor, Parliamentary Under Secretary for Energy, touching on one of those sensitive issues that require deft footwork from politicians.

The problem confronting the UK is the degree to which state support is given to development of alternative energy sources—such as the power of the sun, wind, waves and tides—at a time when the country has more than sufficient supplies of conventional fuels.

Risking the taunt of being complacent in the face of energy self-sufficiency the Energy Department has just decided to lower its research and development budget for renewable energies and conservation. During the current 1982-83 financial year the department expects to spend between £11m and £12m as against about £13.6m during the previous 12 months.

The department takes the view that the current spending level is all that is justified given the point of development of the various energy schemes and the general financial belt-tightening by Whitehall. It is a view based on a recommendation by the Government's Advisory Council on Research and Development for Fuel and Power (ACORD).

But the renewable energy programme — particularly one of the most promising of the alternatives, a possible tidal barrage electricity generating project in the Severn Estuary—has also been caught in the trap between energy projections and the Government's commitment to nuclear power on the other.

The Energy Department is still working on the energy forecasts that will be presented to the public inquiry into the Sizewell B pressurised water reactor early next year. Judging by other projections, little growth in electricity demand is likely to be foreseen over the next 20 years or so.

The CEGB, backed by Energy Ministers, remains committed to the view that new PWR stations will be needed to replace the first generation of nuclear plants, to increase the supply security which arises from a diversity of fuels, and to peg the cost of base-load electricity generation. At present, says the CEGB, alternative energies are not sufficiently cost-effective or technologically advanced to compete with nuclear generation for large-scale electricity generation.

"We are prepared to pay a significant premium to make sure we can harness renewables when they are needed," commented Mr Mellor, the junior minister with a particular remit for alternative energies.

But the reduction in research and development expenditure has angered some, including the Friends of the Earth. A new report* from the environmental pressure group describes the funding as "woefully small."

The organisation calls for a doubling of the budget. Somewhat predictably it contrasts the funding of alternative energies with the £221m nuclear research and development budget. Government energy officials argue that it is wrong to compare funding in this way given the much more advanced state of nuclear power generation. One day, they promise, alternative energies will receive the equivalent of the present nuclear funds.

Among others upset with the Government's proposals are Coventry (Lanchester) Polytechnic and SEA Energy Associates which have been working on the SEA Clam wave energy device, one of a number of wave generators being developed in the UK. They have been pressing the Energy Department for funding of a demonstration prototype. Such a unit would provide a "shop window" for exports, commented SEA Energy Associates.

At the moment, however, Government advisers take the view there is nothing to put in the shop window. They had set a target to the wave power interests: produce a model which, on the judgment of independent engineering consultants, showed the promise of producing power for 3p per kilowatt hour and the Energy Department would consider spending around £10m on a sea-going 10Mw demonstration project.

According to Energy Department officials none of the wave-power ideas had "crossed the minimum hurdle," in spite of six years of Government funding at a cost of over £12m. ACORD has recommended that "no new development work should be supported from the department's R and D budget."

There is a good deal of irony associated with that recommendation. For it coincided with news that Japan's Fuji Electric has been licensed to produce prototypes of a wave energy device developed at Queen's University, Belfast. The device, developed with a £250,000 grant from the UK Energy Department, is already being used in Japan.

It was only a few years ago that wavepower was regarded as one of the most promising sources of Britain's future energy. "Wavepower is likely to be a front-runner for this country among the renewable energy sources," said Labour MP, Mr Alex Eadie when he was Parliamentary Under Secretary for Energy in 1978.

Certainly the UK seems ideally placed to take advantage of the energy in waves. In winter—when energy demand rises — the long coastline is pounded by waves. In theory wave energy could supply up to one-third of current annual electricity demand. But the technical problems of harnessing wave energy are considerable.

The Government may not totally turn its back on wave energy. For it seems there is a likelihood the Energy Department will provide limited funds —certainly less than £1m—for continued research and development work on a couple of favoured wave power projects.

Most of this year's funding, probably around 75 per cent, will go on two types of renewable energy which are regarded in Whitehall as particularly promising—wind power and geothermal energy (hot rocks).

Two wind power projects are already in hand. The CEGB is building a pilot vertical axis wind generator on the site of a power station in Carmarthen Bay, Dyfed. Under this £500,000 project this medium-sized generator will provide up to 200 kW of electricity, beginning later this year.

A more ambitious project is under way in the Orkneys where two wind turbines are planned. A consortium called the Wind Energy Systems Group—comprising Taylor Woodrow Construction, British Aerospace Dynamics Group, and GEC Energy Systems—is now constructing a 20-metre diameter generator with a power output of some 250 kW. When commissioned later this year the machine should provide the North of Scotland Hydro Electric Board with sufficient electricity to meet the needs of about 150 homes.

But this is the first step towards the construction of a bigger, 60-metre diameter generator. This 3 Mw machine, costing around £6.2m, is due to be commissioned in late 1984 or early 1985. When fully operational on Burgar Hill in Orkney the generator should provide the Hydro Electric Board with sufficient power to meet about one-seventh of the island's electricity requirements.

Within the Energy Department it is felt that wind energy will become competitive with other fuels towards the turn of the century, given the expected rise in oil prices. (Wind may be free but the construction, conversion and maintenance costs are not.) The department is working on the assumption that during the next 20 years oil prices will increase by between 50 and 100 per cent in real terms.

No-one doubts that there will be plenty of wind available. A new book†, published by the British Wind Energy Association, says there is more than enough wind available to meet the whole of the UK's electricity needs. But it was unreasonable to accept that more than 20 per cent of the country's supplies could be based on aerogenerators, given the variable nature of wind and the very large number of machines required.

In its recommendations to the Government, ACORD suggested that the funding of geothermal energy projects should also continue. Although these are unlikely to provide large-scale electricity generation opportunities there are many potential "hot rock" sites that could provide localised supplies of hot water for combined heat and power schemes, domestic and commercial heating, and perhaps electricity generation.

Two types of geothermal energy are being studied. In Cornwall the Camborne School of Mines has been impressing the Government with the speed with which it has been able to drill through granite to hot dry rocks. The school may be asked to drill and fracture further rock structures either in Cornwall or elsewhere, such as in Scotland or County Durham.

Geothermal aquifers can provide naturally-heated water suitable for community needs, as has been demonstrated in Southampton. Under a scheme jointly funded by the Energy Department and Southampton City Council, a well has been drilled in Southampton to provide heat for a new civic complex, existing council offices and the municipal swimming baths. A similar project may now be undertaken in Humberside.

But it is tidal power—the Severn Barrage in particular—which provides the Government with the opportunity of harnessing natural, renewable energy in commercial quantities in the near future.

As a leading Government official commented: "Our research into tidal power has reached the stage where we know pretty well what to do. It is the stage we are trying to reach with other renewable energies."

Government studies have already shown that it would be possible to generate up to 20 Terawatt hours a year (about 10 per cent of present electricity demand in England and Wales) at little more than 3p kW hour.‡ But Ministers and officials are nervous that a Severn Barrage project would necessitate "a single, enormous throw." Costs of a barrage scheme are put at £5.5bn to £9bn.

Whichever way the ministers turn, their posture will be viewed as an indicator of the Government's commitment towards renewable energy sources.

* *"Eclipse of the Sun?"; Friends of the Earth energy paper No. 5, 377 City Road, London EC1V 1NA; 1982; £1.95.*

‡ *Energy Technologies for the United Kingdom, Vols I & II, 1979; SO; £3 and £5.75 respectively.*

† *Wind Energy for the Eighties, British Wind Energy Association: Peter Peregrinus, Stevenage; 1982; £19.50.*

COMMODITIES AND AGRICULTURE

Thailand slows manioc exports

BANGKOK — The Thai Government has slowed manioc exports to the EEC for the rest of the year to ensure that its export quota of 5m tonnes will be observed, according to the Thai commerce ministry.

Export licences for manioc exports to the EEC during the current year to June 7 totalled 3.2m tonnes, leaving 1.8m for the rest of the year. Of the balance, 1m tonnes will be allocated for the last quarter and 800,000 tonnes for between now and the end of September.

The ministry said growers will not be affected by the June-to-September slowdown, as this is the rainy season and not suitable for manioc root digging. He said there had been a rush for export certificates of manioc products following an agreement with the EEC last week to institute a system of checking shipments.

Applications in the June 4-8 period totalled 1,074,449 tonnes. Certificates were issued for only 369,493 tonnes.

Under an earlier agreement with the EEC, 5m tonnes of manioc products can enter the EEC this year at a 6 per cent import tariff while shipments above this will pay 18 per cent. Reuter

Palm oil surcharge extended

BANGKOK — Thailand will extend its 20 per cent surcharge on palm oil imports for another year until August 5 1983, deputy commerce minister Thawee Kraikupt told Reuter.

The surcharge, introduced last year, is in addition to an import tariff of 15 per cent.

Mr Kraikupt said the extension was necessary to help farmers and the local vegetable oil industry. It had been levied after complaints that prices of imported palm oil from Malaysia were more competitive than the local products.

Statistics from the commerce ministry showed last year Thailand imported 31.9m litres of refined palm oil.

Less EEC sugar beet predicted

BY TERRY POVEY

LOW WORLD sugar prices could cause a 10 per cent fall in the area sown for beet within the EEC over the next year, Mr Jan De Konig, Holland's agriculture minister claimed yesterday.

The Minister, in a speech read on his behalf to a congress of the International Confederation of European Beet Growers (CIBE) in Amsterdam, said that a reduction in area sown from 2m hectares in 1981/82 to 1.8m hectares for next year was likely. Sugar production by the EEC of about 15m tonnes during 1981/82 was exceptional with the stocks being held back by producers a sign of their recognition of this he added.

At the same congress Mr Henri Cayre, President of the CIBE, rejected complaints from the U.S. and others about the EEC sugar export refund system.

The U.S. and ten sugar producers had previously complained to GATT about EEC pricing policies, that these in effect meant subsidies for exports and therefore unfair competition. "If the EEC is to join the International Sugar Organisation, unfair and unjustified accusations made against it at Gatt and elsewhere must end" said Mr Cayre.

According to Mr Cayre prices within the Community had failed to keep pace with inflation and as most EEC exports went to developing countries as white sugar this did not adversely affect the market for raw sugar.

On possible EEC membership of a new International Sugar Agreement Mr Cayre said that the inclusion of isoglucose (mainly corn syrups) would have to be considered and that a full disclosure of the special provisions for Cuba's sales to Comecon countries should be made. Further the current failure to make a distinction between the market for raw and white sugar would have to be changed.

The International Sugar Organisation recently agreed to a two year extension of its 1979 agreement. During this period discussions should be held for drawing up a subsequent agreement. ISO officials are hopeful of the EEC being involved in these discussions as the Community has become the single largest exporter of sugar on the free market.

W. African cocoa output rise forecast

ABIDJAN—Cocoa output in the five main West African producing countries is expected to rise to over 960,000 tonnes in 1981/82 from the previous season's 944,000, foreign cocoa experts said here.

Ivory Coast output is put at 440,000 tonnes (412,000 in 1980/81), Ghana's at 222,000 tonnes (225,000), Nigeria's at 171,000 tonnes (143,000), Cameroun's at 115,000 tonnes (118,000), and Togo's at 15,000 tonnes (16,300).

The experts said this was based on current purchases by the marketing boards in Ibadan (Nigeria), Accra (Ghana), Abidjan (Ivory Coast), Douala (Cameroun) and Lome (Togo).

Output assessment is made more difficult by Ghana's evacuation exercise which has led to 110,000 tonnes of cocoa held in the interior from previous years being mixed with 1981/92 cocoa, with the result that output figures have been distorted.

In the Ivory Coast cocoa experts said purchases up to mid-May—no official figures are released by the Caisse de Stabilisation—were 412,000 tonnes. Reuter

USSR may delay grain purchase

WASHINGTON — Senator Larry Pressler said Soviet officials told him they would not be making any large new purchases of grain from any supplier until September.

Speaking to reporters, Mr Pressler said, "I was told there would not be any grain purchases until September." Mr Pressler met with Viktor Pershin, director of the Soviet import agency, last week during a visit to the Soviet Union.

Grain traders here have long been concerned that the Soviets may be deliberately refraining from buying any grain now in an attempt to drive down prices before they resume purchases.

The U.S. Agriculture Department commented on Mr Pressler's statement, "The Soviets certainly are not going to tell anyone about their buying plans."

When asked what motivation the normally reticent Soviet grain traders would have for disclosing their intention not to buy grain, Mr Pressler responded, "It was a surprise to me and to the (U.S.) embassy."

Mr Pressler told reporters he felt Pershin's statement that the Soviets would not buy more grain before September was relevant only as it disputed prior speculation that they intended to make large purchases of maize from Argentina this summer.

"Some have speculated that the USSR would buy grain from Argentina to help in the Falklands Islands situation, but I was told there would not be any grain purchases until September," Mr Pressler said.

"This is significant because it shows the USSR will not be investing in Argentina to any great extent," he added. Reuter

TOBACCO

Cuba beats the blue mould

BY CANUTE JAMES, RECENTLY IN HAVANA

THE CUBAN tobacco industry, nearly destroyed three years ago, has almost recovered. The industry suffered setbacks when the crops of 1979 and 1980 were affected by blue mould fungus.

The recovery was indicated by last year's record crop of 52,000 tonnes, and was followed by a more modest crop this year.

"The crop which has just ended has been normal," said Sr Jaime Mas, director of Cubatobacco, the State agency in charge of the industry. "A crop between 40,000 tonnes and 50,000 tonnes is considered normal. We have not yet got final figures."

The rehabilitation of the industry has brought exports of Havana cigars back to near normal levels, although Cuba is still importing tobacco from countries such as Spain and Italy to shore up depleted stocks. The imports are expected to continue.

"In another two years we expect our stocks to be normal, and then we will not need to import any more tobacco," Sr Mas explained.

The blue mould fungus first hit the Cuban tobacco farms in 1978 and about 20 per cent of the 1979 crop was lost. The Cubans were unprepared for the disease, and the following year they lost 90 per cent of their tobacco.

The industry's losses in the two crops have been conservatively estimated at about $625m. Factories were shot down, and over 20,000 workers were temporarily unemployed.

"It was a disaster," said Sr Osmin Arce, president of the Small Farmers Association in Pinar del Rio province, which produces 60 per cent of Cuba's tobacco. "We did not have the chemicals to deal with this attack."

The island's small farmers, who produce about 80 per cent of the tobacco, were hit equally as hard as the state enterprises. The Cuban Government, however, guaranteed the farmers earnings.

Production in the 1980 crop fell to about 5,000 tonnes. In 1979 Cuba imported 300,000 tonnes of tobacco to maintain supplies for its domestic market, and exports were curtailed. Cigarettes to Cubans were rationed.

The attack of blue mould was finally tamed with assistance from Switzerland where a chemical was found capable of dealing effectively with the disease. It was expensive, and Swiss chemists and agronomists were asked to assist the Cubans in what turned out to be a painstaking process of treating every tobacco plant.

The success of the programme was reflected in the size of the 1981 crop.

"In the crop which has just ended there has been no indication of blue mould," said Sr Arce. "But we were affected by poor weather. We had too much rain at the start of the crop and it was too dry at the end."

The recovery of the tobacco industry has allowed Cuba to set about expanding the market for its famed Havana cigars. The island has been providing cigars for the Davidoff label in Switzerland.

Sr Mas said a new agreement has just been signed by Cubatobaro and Alfred Dunhill of the UK. The agreement becomes effective in September, when Havana cigars with the Dunhill label will be launched in London. Cuba will produce about 1m of these Dunhill cigars in the first year of the agreement.

Cuba is aiming at producing about 100m cigars annually, with most of these being exported to Spain, Switzerland, France and the UK, Sr Mas explained.

An attempt is also being made to expand leaf tobacco exports most of which now go to the Netherlands, Belgium and Switzerland to be blended with other types of leaf.

Australia may ease ram export curb

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S "hands off" policy on the export of prize merino rams may soon be amended.

At present, there is an export limit of 300 rams a year, for in the great Australian outback the merino is idolised for its links with the pioneer past, and for its crucial role in the establishment of Australia's farming wealth.

The export of merino rams has fuelled controversy for more than 50 years. But fears that the export of prize rams would create a wool mountain overseas—notably in Russia, South Africa and South America—have been dismissed as unfounded.

Recently, the Merino Ram Export Review Committee toured five main wool-producing countries. It discovered that there were now more merinos outside Australia than within it, that foreign merino genetic material was in some cases as good as Australia's and that there was little evidence to support the view that ram exports were threatening the home wool industry.

In spite of Australia's mineral and mining wealth, the merino and its wool are still crucial earners.

In Canberra, the Bureau of Agricultural Economics says it expects the value of the Australian wool clip this year to rise approximately in line with auction prices, to around A$1.74bn (£1.02bn).

In 1929, when increased international competition was threatening the livelihood of Australian producers, the federal government embargoed the export of merino rams.

In the early 1970s the ban was lifted, to be reintroduced in 1973, following a referendum among growers. It was eventually relaxed, though some graziers, and some trade unionists, are still overly-touchy on the export of rams.

The report of the ram export committee has gone to the Minister for Primary Resources. The report recommends that the present export limit of 300 rams be maintained, at least until the stud industry has formulated clear long-term views. But it says rams worth less than A$1,000 should have no export restrictions placed on them.

The minster has asked for the official reaction to the report of the Wool Council of Australia, as well as the Australian Council of Trade Unions.

What seems likely is that proud Australian rams will still be sold at public auction, so as to give Australian's own graziers a chance to bid.

In the corridors of world trade, liberalisation of the merino business is unlikely to produce a ram jam. But in Sydney's woolier circles last night, it was speculated that it might conceivably produce a potent new market — merino ram futures.

Record rapeseed crop forecast

THE EEC rapeseed crop could increase by 15 per cent or around 300,000 tonnes this year to a record 2.3m tonnes, according to the Hamburg-based weekly publication "Oil World."

Such an increase would be almost doubt the 1979-80 figure of 1.2m and 2½ times the 17977-1978 figure of 931,000 tonnes. Reuter

Western Europe eats less meat

By John Wicks in Zurich

MEAT CONSUMPTION in the 12 main West European countries fell by 33.1 per cent by weight between 1970 and 1980, according to the European Confederation of Agriculture (CEA) in Brugg, Switzerland. This represents a drop of 22.4 per cent in per-capita consumption. Demand for meat declined by a further 1.4 per cent in 1981, the confederation adds.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	33.40-33.70	+.25
Iranian Light	32.20-32.50	—.07
Arab Heavy	30.75-31.00	[illegible]
North Sea (Forties)	[illegible]	[illegible]
African(Bonny L'ht)	[illegible]	[illegible]
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	375-379	[illegible]
Gas oil	293-300	[illegible]
Heavy fuel oil	165-171	[illegible]

GAS OIL FUTURES

After opening around $1.50 higher, the market eased off to reflect an easier physical market. A rally in New York strengthened London, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]

Turnover: 2,167 (1,746) lots of 100 tonnes.

GOLD MARKETS

Gold rose $6 to $330-330½ in the London bullion market yesterday. It opened at $330¼-331¼, and was fixed at $330.90 in the morning, and $328.75 in the afternoon. The metal touched a peak of $331-332, and a low of $328¼-329.

In Paris the 12½ kilo gold bar was fixed at FFr 66,000 per kilo ($330.69 per ounce) in the afternoon, compared with FFr 66,000 ($331.23) in the morning, and FFr 64,400 ($322.37) Monday afternoon.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $331.50 per ounce, against $323.45.

In Zurich gold closed at $327-330, compared with $323.326.

In Frankfurt gold finished at $329-330, against $324-325.

Gold Bullion (fine ounce) — June 8 / June 7: [illegible]

Gold Coins June 8 (Krugerrand, ½ Krug, ¼ Krug, 1/10 Krug, Mapleleaf, New Sov, King Sov, Victoria Sov, French 20s, 50 pesos Mex., 100 Cor. Aust., $20 Eagles): [illegible]

LONDON FUTURES

[illegible]

Turnover: 531 (572) lots of 100 troy ozs.

BRITISH COMMODITY MARKETS

BASE METALS

Base-Metal prices gained ground but closed below the day's highs reflecting the decline in sterling against the dollar. Copper touched £783 in initial dealings, boosted by overnight gains on Comex, but subsequently eased to close at £778.5 with trade selling noted in the morning rings. [illegible]

COPPER, TIN, LEAD, ZINC, ALUMINIUM, NICKEL (a.m. Official / + or — / p.m. Unofficial / + or —): [illegible]

SILVER

Silver was fixed 8.6p an ounce higher for spot delivery in the London bullion market yesterday at 339.8p. U.S. cent equivalents of the fixing levels were: spot 808.5c, up 15.5c; three-month 830.8c, up 17.2c; six-month 853.2c, up 18c; and 12-month 897.4c, up 19.8c. The metal opened at 341-344p (812-815c) and closed at 339-342p (804-808c).

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

RUBBER

The London physical market opened steadier, [illegible] throughout the day and closed on an easier note. Lewis and Peat recorded a June fob price for No. 1 RSS in Kuala Lumpur of 207.5 (203.0) cents a kg and SMR 20 179.5 (177.5).

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

MEAT/FISH

[illegible]

POTATOES

LONDON POTATO FUTURES—The [illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

INDICES

FINANCIAL TIMES / REUTERS / MOODY'S / DOW JONES: [illegible]

AMERICAN MARKETS

NEW YORK, June 8. PRECIOUS METALS, Copper and Cotton came under pressure from profit-taking. Sugar sold off modestly as commission house selling. Heating oil was limit up or sharply higher on the unsettled Middle Eastern situation. Maize and Wheat were slightly lower on a favourable crop report, reported Heinold.

Soyabean Meal—July 182.3-182.2 (183.4), Aug 183.6-183.7 (184.4), Sept 185.5, Oct 187.0, Dec 191.0-191.3, Jan 193.5, March 197.0-198.0, May 203.0-204.0, July 207.0-208.0.

Soyabean Oil — July 19.34-19.35 (19.37) Aug 19.64-19.65 (19.66), Sept 19.94, Oct 20.15, Dec 20.53-20.52, Jan 20.83-20.80, March 21.25, May 21.55-[illegible]

[illegible]

EUROPEAN MARKETS

ROTTERDAM, June 8. [illegible]

PARIS, June 8. [illegible]

Getting it together at GM

As part of its new strategy to manufacture and sell trucks on a worldwide basis, General Motors, the world's leading carmaker, is expected to develop a medium-duty van for the Bedford commercial vehicles division of Vauxhall Motors of the UK which could become the basis of a design for other GM facilities. DANIEL McCOSH in Detroit reports

GENERAL MOTORS has been quietly, but quickly, moving ahead with a new strategy to *manufacture* and sell trucks on a worldwide scale. Its recently-formed Worldwide Truck and Bus Group is emerging as the nucleus of a corporate plan to consolidate management of its currently scattered truck manufacturing, design and components operations now run by several U.S.-based divisions and overseas subsidiaries.

Centralising GM's truck operations, which accounted for 18.7 per cent of its worldwide unit sales in 1981, is said by company executives to be a step towards enhancing the company's ability to design major vehicle components which can be manufactured with only minor variations anywhere in the world.

The so-called "world truck" has been an elusive goal for *vehicle manufacturers*, however, mainly because local market demands and regulations governing truck weight and design features prevent genuine uniformity. *All* the same the potential benefits of economy of scale and savings in development costs make it an attractive concept.

"Take vans, for example," says Mr Donald J. Atwood the GM vice-president in charge of the truck group. "Wa make vans in Europe, South America and other countries. We could be making a series of vans on the same platform—the basic chassis. There could be some cross-coupling of components, new efficiencies in manufacturing."

GM's interest in reorganising its truck activities stems partly from a growing body of opinion that the current slump in worldwide truck sales is accelerating the concentration of heavy-duty manufacturers.

GM has divested several heavy equipment operations, most recently the sale of Terex its earthmoving-equipment subsidiary, to IBH Holding of West Germany, in which GM retains a 17.8 per cent interest. Its light and heavy-duty truck manufacturing up to now has been done by its U.S.-based GMC Truck and Coach division, part of its Chevrolet passenger car division, GM of Canada, and several of its overseas subsidiaries, the largest of which is Bedford commercial vehicles division of Vauxhall Motors of the UK.

The immediate impact of the reorganisation is to bring truck manufacturing in the U.S. and Canada under a single division, co-ordinated with Bedford and the Hua Tung Automotive of Taiwan, in which GM holds a 45 per cent interest.

Oparating responsibility for Bedford and Hua Tung stays at "arms length," according to Mr Atwood, and he intends to retain existing badge names in the U.S. and Europe. However, he is moving ahead with a joint engineering programme that would link Bedford with a new truck engineering centre at GM's Technical Center in the U.S.

It will be the most ambitious attempt so far by GM to co-ordinate engineering programmes in several countries. Mr Atwood expects to strengthen the connection by direct data communication via computer link-up and satellite. The Center is expected to develop first a medium-duty van for Bedford which would become the basis of a design to be manufactured in other GM facilities.

Along with the truck manufacturing and design consolidation, the new truck and bus group will oversee GM's heavy-duty components divisions. Largest is its diesel and heavy transmission arm, the Detroit Diesel Allison division, which manufactures engines for CM trucks in addition to supplying other truck companies: about 30 per cent are produced for overseas markets.

The consolidation and strengthening of GM's worldwide truck operations is aimed at positioning the company to take advantage of future growth overseas. Mr F. James McDonald, GM's president emphasised the developing markets in the Middle East, Africa, Asia-Pacific and Latin America when he announced the new truck group.

"These markets had high growth rates in the 1970s and are projected to continue to be strong in the 1980s," Mr McDonald said, noting that they *accounted* for 19 *per cent of* world truck sales in 1979.

While GM's truck strategy concentrates first on rationalisiog U.S. and European operations, ultimately it is expected to include Asian markets as well.

The strongest tie is with Isuzu Motors of Japan, in which GM holds a 34.2 per cent interest. As part of a small-car development programme GM recently invested $200m in Isuzu, which is expected to raise its equity to 40 per cent on conversion of the debentures.

Isuzu is currently ranked seventh among world truck producers of vehicles over six tons gross weight. A GM-Isuzu tie-up would make their combined output the largest in the world, ahead of Daimler-Benz. Isuzu, which formerly built a light pick-up sold by GM in the U.S., has been reported interested in intering the U.S. medium-duty market. But GM's main interest at this point appears to be to gain a manufacturing hase in Japan.

GM likewise is huilding a heavy-duty diesel plant in Taiwan for Hna Tung, which will ultimately supply 50 per cent of that company's needs.

Gulf & Western decline

BY OUR FINANCIAL STAFF

A FALL in third quarter esrnings reported by Gulf and Western Industries, the widely diversified industrial group, was expected, says the board, and is blamed on the economic recession and the continuing high interest rates.

Net earnings dropped from $75.8m to $35.3m or 44 cents a share fully diluted in the quarter ended April 30, although sales dipped only slightly, from $1.47bn to $1.34bn. At the nine-month stage, earnings are down by 25 per cent to $167.4m or a fully diluted $2.05 a share.

The earnings totals are, however, distorted by investment gains, by changes in accounting methods and losses on closures of some operations.

The board comments that the recession and the level of interest rates has caused "further deterioration" of most sectors of the economy in which G and W operates. In particular, the group's sugar operations—part of the consumer and agricultural division which brought in 40 per cent of last year's earnings, are still heing hit by the depressed prices on world markets and by the severe frost in Florida.

However, six out of the seven operating divisions were profitable during the quarter, the board points out.

For full fiscal 1981, Gulf and Western took earnings from $255m to a peak $291m on revenues of $5.7bn. Operations outside the U.S. make up 44 per cent of group profits.

Cautious outlook at Fluor

BY OUR FINANCIAL STAFF

OPERATING RESULTS will probahly be upset in the second half of this year by the worldwide *economic climate*, says Fluor, the major engineering and construction group.

However, the directors are endeavouring to mitigate any adverse effects by continuing to aggressively market the company's services and products.

Fluor has reported net income for the first half of the fiscal 1982 year or $82m or $1.04 a share, compared with $74.3m or $1.52 a share a year ago. There were more shares outstanding in the current period than last year.

For the whole of fiscal 1981, Fluor, which takes about 38 per cent of its profits from outside the U.S., pushed earnings ahead from $132m to a record $159m or $2.83 a share. The total was held back by costs involved in *the acquisition of* St Joe Minerals, thec oal lead, zinc and silver subsidiary.

For the current year, Fluor expects to benefit from the inclusion of a full year from St Joe and also from higher production at the Buchan North Sea oilfield.

Fluor said that its four operating units continued to trade on a profitable trend, with higher earnings recorded at the engineering and construction groups and also at the drilling service division.

The first quarter of this year showed a substantial rise in net income, which largely reflected the inclusion of St Joe

£30m Eurobond issue for French bank

By Peter Montagnon, Euromarkets Correspondent

A £30M five-year issue was launched by Banque Francaise dn Commerce Exterieur yesterday in the Eurosterling market, the first bond in this setor since March.

The issue, which comes at a time of declining UK intrest rates and a strong currency, hears a coupon of 14½ per cent and issue price of par. It is led by S. G. Warburg.

Some bankers said yesterday that the Eurosterling market now looks ripe for a more sustained flow of new bonds, although, as in other sectors of the Euromarket, the danger of excess remains.

Both the Eurodollar and D-mark markets continne to suffer from this syndrome. Dealers in dollar bonds said yesterday they saw some consolidation after Monday's sharp price falls, but trading activity was mainly confined to professionals whose short-coverings pushed selected issues off their lowest levels.

D-mark bond prices fell hy up to ½ point, with the strong *dollar adding to the mood of* depression. Today the Inter-American Development Bank is scheduled to launch a DM 150m issue, the largest in this month's calendar.

Yesterday the bank launched a Fl 100m 10½ per cent 10-year issue on the Dutch market through Algemene Bank Nederland and Amro.

Also launched yesterday for the Quebec urban community was a C$15m six-year 16½ per cent issue at par through BNP, Banque Bruxelles Lambert and Wood Gundy. The Province of Saskatchewan is raising SwFr 100m through a 10-year issue with an indicated yield of 6¼-6½ per cent through Credit Suisse.

Currency-hedge bonds offer on Swiss market

By John Wicks in Zurich

A GROUP of Swiss banks led by Soditic SA, of Geneva, is next week to offer the first currency-hedged bonds to be issued on the public capital market. The borrower is the Curacao-based Transamerica Financial Corporation, which last year pioneered currency-hedged notes in the Swiss private placement sector.

The issue will consist of a minimum of $31m worth of 11-year bonds, each with a nominal value of $5,400. The bonds, which will be guaranteed by San Francisco parent company of the same name, will be offered for subscription between June 15 and 22 at a unit price of SwFr 5,000, plus SwFr 15 stamp duty.

While an annual 7 per cent dividend will be paid in Swiss francs at a rate of SwFr 350 a bond, repayment will he of the face sum of $5,400 on July 9 1993. Holders have the right to redemption three years earlier at $4,140.

Mr Robert Christie, treasurer of the parent company, said in Zurich yesterday that the offering might be increased, depending on market demand and the development of exchange rates. An absolute maximum issue sum would be a nominal $108m. This would mean an increase in the Swiss-franc subscription value from SwFr 75m to SwFr 100m.

Insurance plan for Arab loans

By Our Euromarkets Correspondent

DR MOHAMMAD IMADY, chairman of the Arab Fund for Economic and Social Development, has proposed a new regional insurance fund to guarantee commercial bank loans for Arab development projects against default.

This would help the poorer countries of the region obtain commercial bank finance at a time when flows of concessional funds might become scarcer because of the fall in oil prices, he told a London conference on Arab banking and finance.

The protection aginst financial risk offered by the proposed fund would complement the protection against political risk already provided by the Inter-Arab Guarantee Corporation.

Dr Imady's proposal follows shortly after Mr Tom Clausen, president of the World Bank, called for greater co-operation between commercial banks and official development institutions.

Dr Imady said the regional insurance fund could obtain financial resources from three main sources. Commercial banks would pay insurance premiums; national and regional development funds operating in the Arab area would contribute some of their annual profit; and there could be a levy of 1 per cent committed from commercial bank loans to regional borrowers.

Clore wins the battle for control of Gulf Resources

BY PAUL BETTS IN NEW YORK

MR ALAN CLORE, son of the late Sir Charles Clore, one of Britain's wealthiest men, yesterday won his battle for control of Golf Resources and Chemical, the Houston-based metals and fertiliser company with sales of $375m last year.

Mr Clore, who has accumulated more than 15 per cent of the U.S. company's shares and has been waging a proxy fight to unseat the current management of Gulf Resources, is among the new directors of the Houston-based company.

Tha company and the dissident shareholders grouped in the so-called Committee for New Management reached a settlement yesterday whereby a new board of directors including all 12 of Mr Clore's nominees has been elected.

The new board inclndes two present directors of the company who will continue to serve as directors. But Mr Robert Allen, the chairman of the company a and director since 1960, will no longer serve on the board.

The new board was understood to he meeting in New York yesterday and was expected to announce new executive appointments to head the company.

In a hrief statement, Gulf Resources said the settlement agreement provides for the dismissal of certain litigation and the granting of mntual releases. The statement said: "The agreement reflects the committee's desire to allay fears of employees and to facilitate an orderly transition."

Gulf Resources had until now fought vigorously to block Mr Clore from taking control of the cmpany. But Gulf Resources shareholders earlier voted hy a margin of nearly 55 per cent In favour of *Mr Clore's* dissident slate of directors.

Mr Clore said he had decided to fight against the compayn's management because it had been unable to realise the potential of the company's assets. Mr Clore intends to study alternative strategies for the company.

But yesterday's settlement does not resolve all litigation including a dispute over severance benefits agreements *aproved* hy the old management. These involve substantial benefits to managers should they lose their jobs, which Mr Clore and other dissident shareholders, *including* the Placid Oil Company controlled by the Hunt brothers of Dallas, regard as totally unjustified and extravagant.

Holly Sugar management obtains facility for buyout

BY OUR FINANCIAL STAFF

HOLLY SUGAR, the Colorada-based sugar beet processor, announced that it has received an offer from General Electric Credit for a $100m credit facility in connection with a leveraged huyout of the company proposed by Mr Michael S. Buchsbaum, the chairman of Holly. Mr Buchsbaum plans to make a formal proposal to Holly's board in the near future, he says.

He added that the GE Credit proposal does not carry the conditions attached to certain previously-announced proposed financings.

Holly said the GE Credit funding will also be used for the company's ongoing working capital requirements.

Under the buyout offer, Mr Buchsbaum, certain other management officials and others will pay $65 a share for the company's stock.

Holly said the offer contemplates a total loan facility of $100m comprised of a four-year revolving loan with a first security interest in accounts receivable and inventory and a seven-year fixed asset loan. Borrowings under the revolving loan will vary with eligible collateral.

Mr Buchsbaum said that GE Credit anticipates moving ahead rapidly with the transaction. He added that the credit facility is not conditioned on the sale of non-beet sugar processing assets or on contributions by sugar beet growers.

However, Holly said it will continue to pursue its previously-announced divestiture programme.

U.S. Steel in move to sell titanium unit

By Our New Yok Staff

U.S. STEEL, the leading domestic U.S. steelmaker, and National Distillers and Chemical Corporation, are studying the possible sale of RMI Company, the second largest titanium producer in the U.S. Based in Ohio, RMI is a partnership owned equally by its two parent companies.

RMI has a titanium sponge capacity of around 18m lb, and a mill products capacity of roughly 15m lb. Last year its profits rose sharply to $6.3m on sales of just under $55m. But the company has warned that weaker demand for commercial aircraft and certain types of military aircraft will lead to lower sales and profits in 1982.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16. Closing prices on June 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/87	150	101⅛	101⅝	−0⅛	−1⅛	14.49
Amax Int. Fin. 16½ 92	75	101½	102¼	0	−2⅜	15.82
Amex O/S Fin. 14¼ 89	75	96⅛	96⅝	0	−1⅛	15.07
APS Fin. Co. 16⅛ 89	75	100⅛	101⅛	−0⅛	−1⅜	15.89
ATT 14¼ 89	400	101⅛	101⅝	−0⅛	−1⅛	13.89
Baker Int. Fin. 0.0 92	225	25⅛	26⅛	0	−1⅛	14.71
BNP Finance 14⅛ 89	125	97⅝	98⅛	0	−1⅛	15.22
Bk. Amer. NT SA 12 87	200	91⅛	91⅝	−0⅛	−1⅛	14.57
Bk. Montreal 14⅛ 87	150	97⅛	97⅝	−0⅛	−1⅛	15.09
Bque. Indo Suez 15 89	100	97⅛	98	−0⅛	−1⅛	15.54
British Col. Hyd. 14⅜ 89	200	96⅛	96⅝	−0⅛	−2⅛	15.06
Burroughs Int. 15⅛ 88	50	101⅛	102⅛	−0⅛	−1⅛	15.13
Canadair 15⅛ 87	150	98⅛	99⅛	−0⅛	−1⅛	15.40
Canadian Pac. 14⅜ 92	75	96⅛	97	−0⅛	−2⅛	15.28
Carolina Power 16¼ 89	50	101⅛	102⅛	−0⅛	−1⅛	15.69
CIBC 16 87	100	100⅞	101⅜	−0⅛	−1⅛	15.59
Citicorp O/S 15½ 84	100	101⅛	101⅝	0	−1	14.82
Citicorp O/S 15⅛ 85/97	125	100	100⅝	−0⅛	−1⅛	15.28
CNA 15⅛ 97	75	99⅜	100⅛	−0⅛	−1⅛	15.80
Con. Illinois 15⅛ 89	100	100⅛	101⅛	−0⅛	−1⅛	15.42
Duke Pwr. O/S 15⅛ 89	80	99⅛	100⅛	−0⅛	−2⅛	15.53
Dupont O/S Cap. 0.0 90	300	35⅛	36⅛	−0⅛	−1⅛	14.50
ECSC 14⅛ 87	50	97⅛	98⅛	−0⅛	−0⅛	15.09
EIB 15⅛ 89	50	99⅛	100	−0⅛	−1⅛	15.61
Export Dev. Cpn. 16⅛ 89	150	97⅛	97⅝	−0⅛	−1⅛	15.11
Gen. Elec. Credit 0.0 93	400	27⅛	27⅝	−0⅛	−1⅛	14.30
Gen. Elec. Credit 0.0 92	400	24⅛	24⅝	0	−0⅛	14.07
Getty Oil Int. 14 89	100	97⅛	98⅛	−0⅛	−1⅛	14.72
GMAC O/S Fin. 15 88	150	101⅛	101⅝	0	−1⅛	15.46
GMAC O/S Fin. 15⅛ 85/87	100	99⅛	99⅝	−0⅛	−1⅛	15.65
GMAC O/S Fin. 15 92	125	95⅛	96⅛	−0⅛	−2⅛	15.73
GMAC O/S Fin. 15 87	100	97⅛	97⅝	−0⅛	−1⅛	15.75
Gulf Canada Ltd 14⅜ 92	100	97⅛	97⅝	−0⅛	−1⅛	15.08
Gulf Oil 14⅛ 94	175	97⅛	98⅛	−0⅛	−1	14.57
Gulf Oil Fin. 0.0 92	300	24⅛	24⅝	0	−1⅛	14.55
Gulf States O/S 15 89	50	98⅛	99	−0⅛	−1⅛	15.26
Int-Am. Dv. Bk. 15⅛ 87	50	98⅛	98⅝	0	−1⅛	15.33
Japan Dev. Bk. 15⅛ 87	50	102⅛	102⅝	−0⅛	−1⅛	14.58
New Brunswick 16⅛ 89	75	101⅛	102⅛	−0⅛	−2⅛	15.65
Ontario Hydro 14⅛ 89	150	95⅛	96⅛	−0⅛	−2⅛	14.98
Pac. Gas & El. 15⅛ 89	50	102⅛	103⅛	−0⅛	−1⅛	15.06
Pac. Gas & El. 16 89	40	101⅛	101⅝	−0⅛	−1⅛	15.06
J. C. Penney O/S 0.0 94	200	20⅛	21⅛	0	−1⅛	14.19
Philips Petrol 14 89	200	95⅛	95⅝	−0⅛	−1⅛	15.08
R.J. Reynlds. O/S 0.0 92	400	25⅛	26⅛	−0⅛	−1⅛	13.96
Saskatchewan 16⅛ 89	125	101⅛	102⅛	−0⅛	−1⅛	15.57
Shell Canada 14⅛ 92	125	97⅛	97⅝	−0⅛	−1⅛	14.86
Spain 15⅛ 87	100	99⅛	100⅛	−0⅛	−1⅛	15.34
Superior O/S Fin. 14 89	125	94⅛	94⅝	−0⅛	−0⅛	15.30
Swed. Exp. Cr. 15⅛ 89	100	99⅛	100⅛	−0⅛	−1⅛	15.54
Swed. Exp. Cr. 14⅛ 89	100	96⅛	96⅝	−0⅛	−1⅛	15.08
Swed. Exp. Cr. 0.0 94	200	20⅛	20⅝	0	−0⅛	13.74
Union Carbide 14⅛ 89	100	97⅛	98⅛	−0⅛	−1⅛	14.69
Wells Fargo I. F. 15 87	75	99⅛	99⅝	−0⅛	−1⅛	15.28
World Bank 14⅛ 87	200	98⅛	98⅝	−0⅛	−1⅛	14.77
World Bank 15⅛ 88	200	99⅛	99⅝	−0⅛	−1⅛	15.37

Average price changes... On day −0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9⅞ 92	150	99⅛	99⅝	−0⅛	−0⅛	9.84
Australia 9⅞ 91	300	102⅛	102⅝	−0⅛	−1⅛	9.35
Australia 10 91	200	101⅛	102⅛	−0⅛	−1⅛	9.56
Barclays O/S In. 0⅛ 94	200	101⅛	101⅝	−0⅛	−1⅛	8.99
Canada 9⅞ 89	800	102⅛	102⅝	−0⅛	−0⅛	8.97
Comp. Tel. Esp. 10⅛ 92	100	99⅛	100⅛	−0⅛	−0⅛	10.20
Cred. Foncier 9⅞ 92	150	100⅛	100⅝	−0⅛	−0⅛	9.18
Denmark 10 89	100	100⅛	101⅛	−0⅛	−0⅛	9.83
Denmark 10⅛ 92	100	100⅛	101⅛	−0⅛	−0⅛	9.76
EDF 9⅞ 92	200	97	97⅛	−0⅛	−0⅛	10.11
FFC 9⅞ 94	100	102⅛	103⅛	−0⅛	−0⅛	9.60
EIB 9⅞ 92	200	102⅛	103⅛	+0⅛	+0⅛	9.40
Int.-Am. Dev. Bk. 9 92	150	96⅛	96⅝	−0⅛	−0⅛	9.57
Ireland 10⅞ 92	100	99⅛	99⅝	−0⅛	−1⅛	10.30
Kobe City 9⅞ 92	100	100⅛	101⅛	−0⅛	−0⅛	9.39
Nat. West. 9⅞ 92	100	101⅛	101⅝	−0⅛	−0⅛	9.30
OKB 9⅞ 89	150	101⅛	101⅝	−0⅛	−0⅛	9.28
Philip Morris 8⅞ 90	100	101⅛	102⅛	−0⅛	−0⅛	8.83
Quebec 10⅛ 92	150	100⅛	100⅝	−0⅛	−0⅛	9.91
Renfe 10 92	100	98⅛	99⅛	−0⅛	−0⅛	10.24
Tauernautobahn 9⅞ 94	50	100⅛	101⅛	−0⅛	−1⅛	9.66
World Bank 9⅞ 91	300	102⅛	102⅝	−0⅛	−0⅛	9.16
World Bank 10 89	300	101⅛	102⅛	−0⅛	−0⅛	9.62

Average price changes... On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6⅞ 92	100	100⅛	100⅝	−0⅛	−0⅛	6.91
Asian Dev. Bank 7 92	100	101⅛	101⅝	−0⅛	−0⅛	6.86
Austria 7⅛ 92	100	101⅛	101⅝	−0⅛	−0⅛	6.77
Austria 6⅞ 94	100	100⅛	101⅛	−0⅛	−0⅛	6.76
Canada 6⅞ 92	100	100⅛	100⅝	−0⅛	−0⅛	6.70
Cas. Nat. l'Energie 7 92	100	101⅛	101⅝	−0⅛	−0⅛	6.78
CFE-Mexico 8⅛ 92	100	101⅛	101⅝	−0⅛	−0⅛	8.35
Co-op. Denmark 8⅛ 92	30	104⅛	104⅝	−0⅛	−0⅛	7.77
Crown Zellrbch. 6⅞ 92	80	102⅛	102⅝	−0⅛	−0⅛	6.52
Eurofima 7⅛ 92	100	101⅛	101⅝	−0⅛	−0⅛	6.92
Europarat 7⅛ 92	100	101⅛	102⅛	−0⅛	−0⅛	6.93
First City Fin. 8⅛ 92	100	103⅛	103⅝	−0⅛	−0⅛	7.74
Ind. Fund Finland 6⅞ 92	20	101⅛	101⅝	−0⅛	−0⅛	6.88
Kobe City 6⅞ 92	100	101⅛	102⅛	−0⅛	−0⅛	6.63
Kommunlans 7⅛ 92	100	101⅛	101⅝	−0⅛	−0⅛	7.14
Mitsui OSK 6⅞ 92	100	101⅛	101⅝	−0⅛	−0⅛	6.86
National Pwr. Co. 8 92	30	103⅛	104⅛	−0⅛	−0⅛	7.52
Nippon T. and T. 6⅞ 92	100	101⅛	101⅝	−0⅛	−0⅛	6.62
OKB 7⅛ 92	100	102⅛	102⅝	−0⅛	−0⅛	6.85
Ost. Postspar 7⅛ 92	100	103⅛	104⅛	−0⅛	−0⅛	6.56
Philip Morris 6⅞ 94	100	101⅛	101⅝	−0⅛	−0⅛	6.64
Philip Morris 6⅞ 94	100	101⅛	101⅝	−0⅛	−0⅛	6.54
Quebec 7⅛ 92	100	101⅛	101⅝	−0⅛	−0⅛	7.04
Renfe 7⅛ 92	70	99⅛	100⅛	−0⅛	−0⅛	7.29
Sakisui Pre. 6⅞ 92 WW	70	106⅛	107⅛	−0⅛	−0⅛	5.68
Soc. Lux. de Cnt. 8⅛ 92	35	104⅛	104⅝	−0⅛	−0⅛	7.53
Voralberg Kraft 6⅞ 92	30	102	102⅛	−0⅛	−0⅛	6.51

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	100⅛	101⅛	0	+0⅛	8.26
Int.-Amer. Dev. 8⅛ 91	15	101⅛	102⅛	0	+0⅛	8.05
Japan Airlines 7⅛ 87	15	99⅛	100⅛	0	+0⅛	7.99
New Zealand 8⅛ 87	15	100⅛	101⅛	0	+0⅛	8.18
World Bank 8⅛ 92	20	100⅛	101⅛	0	+0⅛	8.12

Average price changes... On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$	100	97⅛	98⅛	−0⅛	−0⅛	16.67
Can. Pac. S. 16⅛ 89 C$	50	98⅛	99⅛	−0⅛	−0⅛	15.72
Crd. Foncier 17⅛ 89 C$	30	100⅛	101⅛	−0⅛	−0⅛	17.29
Hudson Bay 17 89 C$	40	99⅛	100⅛	−0⅛	−0⅛	17.12
Q. Hyd. 16⅛ 89 (My) C$	50	98⅛	99⅛	−0⅛	0	16.74
Quebec Prov. 16⅛ 89 C$	50	98⅛	99	−0⅛	0	16.75
Gentrale 10⅛ 89 E Fl	40	97⅛	98⅛	−0⅛	−0⅛	17.50
U.S. Navy, 9⅛ 90 EUA	18	96⅛	97⅛	−0⅛	−0⅛	11.53
Algem. Bank 10 87 Fl	100	98⅛	99⅛	−0⅛	−0⅛	10.42
Sk. Mees & H. 10 87 Fl	75	98⅛	99⅛	−0⅛	−0⅛	10.29
Eurofima 10⅛ 89 Fl	50	100⅛	101	−0⅛	−0⅛	10.32
Ireland 10⅛ 87 Fl	75	100⅛	101⅛	−0⅛	−0⅛	10.29
Phil. Lamps 10⅛ 87 Fl	100	100⅛	100⅝	−0⅛	−0⅛	10.10
World Bank 10 87 Fl	150	98⅛	99⅛	−0⅛	−0⅛	10.36
OKB 14⅛ 86 FFr	400	93⅛	94⅛	−0⅛	−0⅛	16.06
Solvay et C. 14⅛ 86 FFr	200	91⅛	92⅛	−0⅛	−0⅛	17.61
Acona 14 89 £	15	88⅛	89⅛	−0⅛	−0⅛	16.47
Beneficial 14⅛ 90 £ (D)	20	89⅛	90⅛	−0⅛	−0⅛	16.52
BNP 13⅛ 91 £	15	93⅛	94⅛	+0⅛	+0⅛	14.67
CECA 13⅛ 88 £	20	95⅛	96⅛	+0⅛	+0⅛	14.65
Fin. Ex. Cred. 13⅛ 86 £	15	94⅛	95⅛	+0⅛	+0⅛	14.55
Hiram Walker 14⅛ 86 £	25	98⅛	99⅛	+0⅛	+0⅛	14.96
Privatbanken 14⅛ 88 £	12	94⅛	95⅛	+0⅛	+0⅛	15.84
Quebec 15⅛ 87 £	25	100⅛	101⅛	+0⅛	+0⅛	15.13
Reed (Nd) NV 16⅛ 89 £	25	104⅛	105⅛	+0⅛	+0⅛	15.54
Royal Trustco 14 86 £	12	96⅛	96⅝	+0⅛	+0⅛	15.30
SDR France 15⅛ 92 £	30	99⅛	100⅛	+0⅛	+0⅛	15.23
Swed. Ex. Cr. 13⅛ 86 £	30	95⅛	95⅝	+0⅛	+0⅛	14.19
Eurofima 10⅛ 87 LuxFr	500	96⅛	97⅛	0	0	11.50
EIB 9⅛ 88 LuxFr	600	91⅛	92⅛	0	0	11.60

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅛ 92	0⅛	98⅛	98⅝	15/10	15.69	15.81
Bank of Montreal 5⅛ 91	0⅛	98⅛	99⅛	29/10	15⅛	15.28
Bk. of Tokyo 5⅛ 91 (D)	0⅛	98⅛	99⅛	10/8	15	13.37
Bk. Nova Scotia 5⅛ 93	0⅛	98⅛	99⅛	10/8	14⅛	15.03
BFCE 5⅛ 88	0⅛	99⅛	99⅝	26/10	15	15.09
BFCE 5⅛ 87	0⅛	99⅛	99⅝	27/7	16⅛	10.21
Caisse Nat. Tels. 5⅛ 90	0⅛	99⅛	99⅝	21/10	15⅛	15.59
CCCE 5⅛ 2002	0⅛	98⅛	99⅛	11/8	14⅛	15.02
Ch. Man. Eurofin 5⅛ 93	0⅛	98⅛	99⅛	18/10	15⅛	16.12
Credit Agricole 5⅛ 97	0⅛	99⅛	99⅝	24/9	15.44	15.50
Credit Lyonnais 5⅛ 97	0⅛	99⅛	99⅝	10/8	15	15.06
Credit Nat. 5⅛ 94	0⅛	99⅛	99⅝	1/10	15	15.15
Denmark, Kngdm. of 92	0⅛	98⅛	99⅛	9/8	14.68	15.05
Den Norske Cred. 5⅛ 93	0⅛	98⅛	99⅛	25/8	16.44	16.57
Gotabanken 5⅛ 91	0⅛	98⅛	99⅛	18/11	15⅛	15.20
Ind. Bank Japan 5⅛ 88	0⅛	99⅛	99⅝	22/11	14⅛	14.51
Ireland 5⅛ 90	0⅛	98⅛	99⅛	25/11	14⅛	14.84
Kansallis Osake 5⅛ 92	0⅛	98⅛	99⅛	9/11	15.31	15.55
Lloyds Eurofin 5⅛ 93	0⅛	99⅛	99⅝	29/10	17⅛	17.21
LTCB Japan 5⅛ 89	0⅛	99⅛	99⅝	29/7	15	15.06
J. P. Morgan 5⅛ 97	0⅛	99⅛	99⅝	29/11	14⅛	14.56
Nat. West. Fin. 5⅛ 91	0⅛	98⅛	99⅛	28/10	14⅛	14.77
New Zealand 5⅛ 87	0⅛	98⅛	99⅛	15/7	15.19	15.22
Nippon Credit 5⅛ 90	0⅛	98⅛	99⅛	10/8	16.08	16.19
Offshore Mining 5⅛ 91	0⅛	98⅛	99⅛	16/9	16.08	16.17
PKbanken 5⅛ 91	0⅛	98⅛	99⅛	2/12	14⅛	14.28
Scotland Inv. 5⅛ 91	0⅛	98⅛	99⅛	14/9	15⅛	15.46
Soc. Pacific 5⅛ 91	0⅛	98⅛	99⅛	24/11	15	15.56
Societe Generale 5⅛ 95	0⅛	98⅛	99⅛	20/8	16.15	16.28
Standard Chart. 5⅛ 91	0⅛	98⅛	99⅛	7/9	16	16.17
Sumitomo Fin. 5⅛ 93	0⅛	98⅛	99⅛	18/11	14⅛	15.0
Sweden 5⅛ 89	0⅛	98⅛	99⅛	27/11	15.37	15.53
Toronto Domin'n 5⅛ 92	0⅛	98⅛	99⅛	28/8	15.31	15.09

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	94	95	0	8.75
Bow Valley Inv. 8 95	4/81	22.12	95⅛	96⅛	0	4.88
Bridgestone Tire 5⅛ 96	3/82	470	99⅛	100⅛	0	15.24
Canon 5⅛ 95	1/81	829	94	95	0	8.39
Daiwa Secs. 5⅛ 96	8/81	581	89⅛	90⅛	0	14.40
Fujitsu Fanuc 4⅛ 96	10/81	6,641	88⅛	89⅛	0	20.56
Furukawa Elec. 5⅛ 96	7/81	300	91	92	0	4.68
Hanson O/S Fin. 9⅛ 96	8/81	1.53	88	90	−1	4.88
Hitachi Cable 5⅛ 96	2/82	515	99	100	+2	16.97
Hitachi Cred. Corp. 5 96	7/81	1,260	94	95	−1	6.07
Honda Motor 5⅛ 97	3/82	861	98	99	0	15.22
Inchcape 8⅛ 95	5/81	3.70	102	103	0	13.00
Kawasaki 5⅛ 96	9/81	229	94⅛	95⅛	0	17.72
Marui 6 96	7/81	846.4	101⅛	102⅛	0	2.08
Mitsubishi Corp 6 96	4/81	826.4	101⅛	102⅛	0	4.23
Minolta Camera 5⅛ 96	8/81	628.4	91⅛	92⅛	0	25.98
Minorco 8⅛ 97	5/82	2.16	87⅛	88⅛	−1	23.90
Murata 5⅛ 96	7/81	2198	96⅛	97⅛	+0⅛	37.04
NKK 6⅛ 96	9/81	225	87⅛	88⅛	+0⅛	11.82
Nippon Chemical 5⅛ 81	10/81	913	86	87	+1	28.71
Nippon Electric 5⅛ 97	2/82	1258	89⅛	90⅛	+1	15.41
Orient Finance 5⅛ 97	3/82	1230	91	92	+1	15.40
Osaka Cement 5⅛ 97	11/81	682	86	87	+1	12.74
Sumitomo Elec. 5⅛ 97	10/81	677.2	85⅛	86⅛	+1	15.82
Sumitomo Met. 5⅛ 96	10/81	295.2	81	82	+1	3.28
Swiss Bk. Cpn. 6⅛ 90	9/80	191	89⅛	90⅛	+1	35.45
Konishiroku 6⅛ 96	2/82	628	98	99	0	24.93
Mitsubishi H. 6⅛ 98	2/82	263	101	102	0	6.93

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Veba pre-tax profits decline by 12% in first quarter

BY KEVIN DONE IN FRANKFURT

VEBA, the energy, chemicals, trading, and transport group which is West Germany's largest industrial concern, suffered a fall of 12.3 per cent in pre-tax rofits to DM 279m ($117m) in the first quarter of 1982 chiefly as a result of the weakness of its chemicals and oil operations. After-tax profits dropped by 27.2 per cent, while group turnover rose by 6.7 per cent to DM 12.5bn.

Veba said returns from oil operations began to improve in May, while profits from the power stations division, including Preussenelektra, had been maintained at last year's level.

The amount of crude oil processed in Veba's own refineries declined by 21 per cent to 2.36m tonnes in the first quarter, while crude oil production, including purchases in Libya, plunged by 59.6 per cent to just 297,000 tonnes.

In line with the weak domestic oil market, Veba's volume sales of light oil products dropped by 13.7 per cent in the quarter to 764,000 tonnes. Sales of middle distillates increased by just 1 per cent to 1.72m tonnes, while demand for heavy oil products such as fuel oil declined by 32.3 per cent to 775,000 tonnes.

Veba's refinery capacity in the Ruhr has been reduced by 2.5m tonnes a year, but its crude oil processing plants still operated at only 60 per cent of capacity in the three months.

The volume of chemicals sales fell by 8.9 per cent in the quarter.

Electricity generation operations performed more successfully, increasing power supplies by 5.8 per cent in the quarter to 17.1bn kilowatt hours, with turnover increasing by 16.9 per cent to DM 2.5bn.

Demag sees scant chance of recovery this year

BY OUR FINANCIAL STAFF

MANNESMANN DEMAG, whose profits were more than halved in 1981, sees little chance of a recovery during the current 12 months.

Despite an expected increase in sales, profits are likely to stay unsatisfactory, the company said. It returned net profits of DM 13m ($5.5m) for 1981, against DM 29m in 1980.

Herr Guenter Mueller, managing board chairman, said group turnover for this year would rise to some DM 3.3bn from DM 2.94bn in 1981, but that incoming orders would fall to DM 3.4bn from DM 3.7bn.

He attributed last year's slump in profits to high interest rates and a generally unfavourable economic climate.

Incoming orders for the first five months of 1982 fell to DM 1.2bn from DM 1.5bn in the same 1981 period. Orders in hand at end-April 1982, including for the first time some DM 500m from the newly acquired subsidiary Sack of Duesseldorf, stood at DM 5bn against DM 4.7bn at end-April 1981.

Herr Mueller said Demag's exports benefited last year from a weak Deutsche Mark and Germany's relatively low inflation rate. Export growth will continue to be closely dependent on the trend of the U.S. dollar.

Foreign sales rose to $2bn in 1981 from $1.84bn in 1980, boosting the foreign share of turnover to 68 per cent from 65 per cent. Foreign orders as a share of total incoming orders rose last year to 73 per cent from 68 per cent, reflecting the strength of Demag's export business.

The company is 90 per cent owned by Mannesmann, the major German engineer.

Terry Dodsworth reports on a rarity among France's new state company bosses

M Stern brings informality to the Cii helm

VIRTUALLY all the new bosses of France's expanded State sector were drawn from big industry or the Government machine. The exception is M Jacques Stern, plucked from his own private company to run Cii-Honeywell Bull, the shaky, semi-nationalised computer group that has known all the troubles of Job in its tangled 16-year history.

Vigorous, greying, with an informal manner rarely found in top French management, M Stern was chosen for the Cii job because of his record as *an entrepreneur*.

Like many leading industrialists, he started his career in the administration, working as an electronics engineer on defence systems. But at the age of 32 he cut adrift and set up his own company, inspired by the idea of creating a computer systems company that could offer industrialists a packaged solution to their information needs.

Backed by FFr 600,000 ($100,000) of borrowed money, Sesa, the new company, took off almost immediately. M Stern recalls his first anxious days as a small businessman, when he found himself "all alone in a new office, with no experience of running a business and no orders." But the orders soon began streaming in. He had bit the computer systems market in a lift-off phase, and Sesa has expanded ever since, growing to international dimensions and a turnover of FFr 350m.

Officials make no secret of the fact that this growth record singled out M Stern as one of the few men in French high-technology industry with the necessary punch to take on Cii.

M Stern says that his convictions go back to his early career as a public servant working on France's aerial defence. The only readily available system at the time was American. "I fought to stop the Government from accepting the U.S. products," he says. "Today France is the only country in the Western world which has an independent capability in aerial defence."

Similar independence in computers, he argues, is important because the technology penetrates every aspect of national life—from science and general industry to education and communications. "Like energy and defence, it is an important element of the national strategy of any country that wants to remain independent."

The problem with applying this argument to computers, as he readily admits, is that the industry has to exist in a competitive market. In the military sphere, the Government has to stump up finance, whatever the cost might be. But can France afford to support Cii?

For M Stern, the answer splits down into two elements, technical and financial. On the technical side, he argues that Sesa has shown that French computer technology can be competitive in world markets.

There is no reason, in his view, why Cii should not show a similar technical competence so long as it maintains an open stance in world markets.

Time after time, he comes back to the point that, in the computer industry, a small national market is not enough. On the one hand, computers is a large-scale industry, requiring big markets; on the other, a company needs constant experience of the best rival technology to maintain progress: he took Sesa deliberately into the West German market in its first overseas move, and then into the U.S.

This international attitude accounts for the apparent conflict between his support for an independent national industry and his acceptance of Cii's link with Honeywell of the U.S.

Unlike many Socialist supporters, he was not violently opposed to the 1976 agreement giving Honeywell 47 per cent of the French company. At the time, he says, Cii was only effective in a protected, national market. Far from being a sell-out to the Americans, Honeywell brought in the international outlets and perspective, particularly in the U.S.

Where the agreement went wrong, he believes, was that it accorded Cii a minority partner role—Honeywell could veto its projects—while giving no assurance of long-term co-operation. Either side could withdraw suddenly.

The new agreement with Honeywell, reducing its stake from 47 per cent to a little under 20 per cent, has attempted to correct this weakness. *Although the cost of buying out the Honeywell shares has been high*—$150m—Cii can now act with total independence.

On the financial side, M Stern believes that France has been trying to get its computer industry on the cheap over the *last few years. Profits are made,* he argues, by investing correctly and adequately. But these investments have not been made because of the shortage of funds.

Hence, when the company lost FFr 449m net last year, it was paying the price for its weak capital base: because shareholders had not invested sufficient funds, it was forced to run up heavy, and costly, debts.

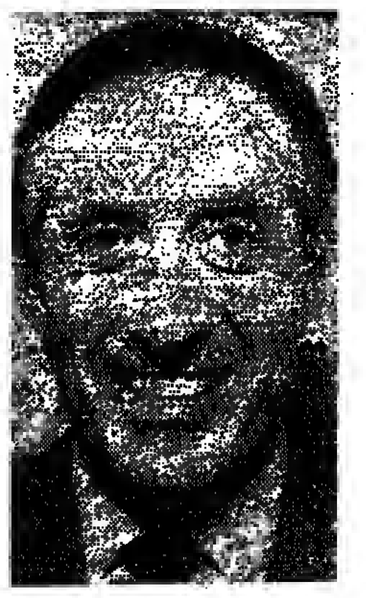
M Stern places part of the blame for this weakness on the previous equity division, in which the non-Honeywell stake was variously and bewilderingly held by an alternating mixture of the state, CGE and Saint Gobain. This confusion meant that shareholders never had sufficient commitment to the company, he says.

In the new organisation he will have a direct link with the controlling shareholder — the state — which is ready, he believes, to "do what is necessary to develop the industry." He wants fresh finance in two ways. First, he says, the Government should help with research and development, just as U.S. and Japanese companies are assisted by state development contracts.

But *the priority must* go to the injection of new capital. The company's weakness in this area was demonstrated last year, when it was faced with the heavy cost of gearing up production and following IBM's price-cutting challenge in the medium-size computer market.

Total borowings virtually doubled to FFr 4.4bn, completely overshadowing net worth of FFr 1.3bn, and plunging the company into heavy interest payments.

M Stern will not reveal exactly how much he has asked the Government for. But it is likely to be in the region of FFr 2bn to start with, plus a commitment for regular annual capital increases afterwards.



M Jacques Stern

Foreign interests control one-third of Hoechst

BY KEVIN DONE IN FRANKFURT

Prof Rolf Sammet, chief executive of Hoechst. He said yesterday that the group had opened 1982 on a weak note.

HOECHST, the West German chemicals group, is still unclear whether Kuwaiti interests have secretly assembled a holding of up to 25 per cent of the group's equity, worth about DM 1.4bn ($588m).

The latest shareholders survey carried out at the end of last year showed, however, that 33 per cent of the group's equity was now held abroad compared with only 19 per cent in 1978, Professor Rolf Sammet, Hoechst's chief executive said yesterday at the company's annual meeting.

Hoechst assumes that a part of the foreign holdings is in the hands of big investors from the Middle East, but bank secrecy rules have prevented closer clarification of possible Kuwaiti involvement.

Rumours concerning large-scale Kuwaiti share purchases in Hoechst have been circulating for several months among Frankfurt stock market traders. Commerzbank is reported to have played a leading role in representing Kuwaiti interests.

Under German corporate law a shareholder having more than 25 per cent must inform the company, which in turn must then officially publish the news. In addition, German cartel law demands that intentions to make share purchases of 25 per cent or more must first be registered with and approved by the Federal Cartel Office.

Prof Sammet said yesterday that no such moves had yet been made. It is clear, however, that even if total Kuwaiti holdings amount to as much as 25 per cent, they could be held nominally by different parties.

Direct requests for information to Commerzbank had failed to throw light on Kuwaiti moves, said Prof Sammet. In addition, no information had been forthcoming from Kuwait itself.

Since the mid-1970s Kuwait has spearheaded the Middle Eastern thrust into German industry. It already has significant published minority holdings in Metallgesellschaft, Korf Stahl, Daimler-Benz and Volkswagen do Brasil. None of the holdings exceed 20 per cent.

Unlike some other major German industrial groups, such as BASF, Hoechst has never introduced restrictions on its voting rights. The decisive question was whether "a friendly consensus" existed between a major shareholder and the board, said the Hoechst chairman.

Hoechst has made a weak start to the current financial year with parent company turnover rising by only 5.2 per cent in the first five months to DM 5.3bn. Pre-tax profits after three months were 4.2 per cent lower at DM 203m.

Growth is still relying heavily on exports where volume rose by 4 per cent in the five months. The volume of domestic sales dropped by 4 per cent from January to May.

Hoechst's profitability is being burdened by weak trading in plastics and commodity petrochemicals. In addition, the U.S. has slipped back into losses in the first four months, following a profit of $24.4m in 1981 and a loss of $10m in 1980.

Hoechst still hoped to maintain its dividend at DM 7 a share in 1982, however.

What the company needed was an economic upswing in the second half of the year, he said, but added there are few signs of such an eventuality despite declining German inflation.

Prof Sammet said that 1982 began very weakly and the domestic economy has not yet recovered. The weakness of the D-mark had helped Hoechst's export business but the profitability of these exports is not always "sufficient."

State go-ahead for steel-pellet plant in Spain

MADRID — The Spanish Government has approved the construction of a $140m steel-pellet plant in Fregenal de la Sierra in the south-western *Province of Badajoz*.

The Government has agreed to subsidize the plant with $32m, in addition to granting an official credit of $30m.

The state-owned steelworks, Ensidesa, has been given instructions to buy 800,000 tons of the pellets annually at a price similar to that of its Brazilian subsidiary.

AP-DJ

Weak retail prices hit German Mobil

By Our Financial Staff

PROFITS of Mobil Oil Germany fell about 25 per cent to DM 225m ($945,000) for 1981 from DM 294m

The company, in its annual report, blamed retail prices that failed to cover refining costs so that the company has been losing one pfennig a litre. Only part of the downstream losses could be covered by crude oil and gas production profits, the company said.

On the bright side, Mobil said its 1981 turnover rose to DM 11bn from DM 8.8bn.

Enso-Gutzeit cuts payout

BY LANCE KEYWORTH IN HELSINKI

ENSO GUTZEIT, the Finnish paper, engineering and shipping group, reports lower profits for 1981 and is cutting its dividend.

On sales up from FM 4.1bn to FM 4.5bn ($980m), net profits have slipped to FM 33m, from FM 44m in 1980. The dividend is going down to 6 per cent from the 8 per cent paid a year ago.

However, Enso is now coming to the end of its eight-year investment programme and expects to see better results in the current year. In their letter to the shareholders, the company says it will continue "the sale of assets that have provad unprofitable and unnecessary from the point of view of operations.

In Canada, Enso sold 40 per cent of its subsidiary Eurocan Pulp and in the process acquired a 6 per cent interest in Abitibi-Price. "Considerable financial gains were made" from the subsequent sale of these shares.

● Alko, the state alcohol monopoly, increased gross sales by 12.9 per cent to FM 5.05bn in 1981. Profit was FM 521m against FM 492m.

Alko notes that consumption of alcohol increased by 1.7 per cent in 1981. Prices were raised on average by 11.8 per cent.

Kuwait increases stake in IEDC

By Richard Johns

KUWAIT has increased its shareholding in the International Energy Development Corporation (IEDC) and also the financing of the exploration activities of the concern established in 1979 to develop hydrocarbon resources in the Third World.

It is committing another $80m to the funding exploration work being carried out in Angola, Congo, Oman, Sudan, Tanzania, Turkey, and another, as yet unidentified, country.

Overall, the Gulf oil-producing state's participation in the activities of IEDC, covering a search for oil and gas over an area of 100m acres of which its own interest is the equivalent of 12m acres, now amounts to 50 per cent.

At the same time the stake held by the Kuwait Petroleum Corporation in IEAD B.V., the Netherlands-based operating arm of the group, has been raised to 22.96 per cent from 10 per cent of its undisclosed capital.

KPC, Kuwait's oil conglomerate, has absorbed the holdings of AZL Resources of Phoenix, Arizona, and Sulpetro of Calgary, Canada. The shares of the Arab Petroleum Investments Corporation, 10 per cent, Volvo Energi AB, 6.48 per cent, and Societe Generale pour l'Energie et les Resources, 0.48 per cent, are unchanged.

In addition the Kuwait Foreign Petroleum Exploration Company has a 21.25 per cent stake in the parent company, International Development Corporation S.A. which in turn owns 60 per cent of the operating arm.

Intensified Kuwaiti involvement is in line with the state's policy of investing in energy development and hydrocarbon-based business abroad.

Citibank plans data service in Tokyo

By Our Financial Staff

CITIBANK of the U.S. plans to start an electronic data service in Tokyo through the communication circuit of Kokusai Denshin Denwa offering instant access to a variety of economic data.

For instance, the service would cover the changing rates of 31 currencies and gold and financial markets in major money centres. Citibank sees as possible major clients Japanese corporations operating overseas and regional banks in need of information useful to their foreign exchange operations.

Saga Petroleum in moves to borrow some $500m

BY FAY GJESTER IN OSLO

SAGA PETROLEUM, the Norwegian oil company, is planning to borrow between $500m and $600m and has invited two groups of Norwegian and foreign banks to bid for the job of floating the loan.

Saga, backed by about 300 Norwegian shipping, finance, and industrial firms, is one of three companies chosen by the Government to play a leading role in exploration and development on Norway's shelf.

It faces enormous investment expenditure in connection with its stakes in 16 licence areas on the shelf and its 2 per cent share in the Stat-gas gathering project, but its only significant source of income at present is its 1.6 per cent share in the Anglo-Norwegian Statfjord Field.

The two bank groups which have agreed to offer terms to Saga are Norway's Christiania Bank, together with Guaranty Trust of New York, and a consortium comprising Den Norske Creditbank, the Union Bank of Norway, Bergen Bank and Citicorp. A Christiania executive, Mr Gunnar Frognes, said that both Norwegian and foreign financial institutions were showing keen interest in participating in the loan.

Saga says that the two groups are expected to table their offers shortly and it will make its choice by the end of July at the latest, so that the money can be raised before the end of this year. Part of it will be used to refinance two existing loans—one of $150m dating from 1979, raised by Saga itself, and another, of $75m, raised by the company's loss-making petrochemicals offshoot, Saga Petrokjemi.

Australian life office merger

BY OUR FINANCIAL STAFF

NATIONAL MUTUAL Life Association of Australasia and T & G Mutual Life Society, Australia's second and third ranking life insurance groups, announced definite plans to merge yesterday after several weeks of detailed discussions. The merger will result in a new society with assets of A$4.8bn (US$5bn), still smaller than the Australian Mutual Provident Society, whose assets are currently estimated at A$6.9bn.

However, the merger—by far the largest to date in the industry—will both reinforce the two companies' already powerful roles as investors, and at the same time strengthen them in the increasingly widely-drawn battle among Australian financial institutions to attract savings deposits.

National Mutual last week broke new ground for any major Australian institution by bidding for two minority partners in the Cooper Basin oil and natural gas project, Reef Oil and Basin Oil, after acquiring controlling stakes from Mr Alan Bond's Bond Corporation Holdings. It also acquired a 13.3 per cent stake in Santos, the leading company in the Cooper Basin project, from Bond.

Australian institutions, which often feel hemmed in by their financial size in relation to the stock market, have in recent years begun to diversify more widely into property, agriculture and direct participations in major natural resources projects. National Mutual's acquisitions in the Cooper Basin, the country's most promising large onshore hydrocarbons development, fits into this pattern.

There has also been keen speculation that both AMP and National Mutual might seek banking licences if, as the financial community continues to hope, the Australian government implements recommendations of the Campbell committee that would broaden competition for lending and deposit-taking business.

● Castlemaine Tooheys, the Australian east coast brewer, plans to make a one-for-eight scrip issue to increase its capital from A$91.69m to A$103.15m (US$108m).

In March the company reported a 61 per cent rise in interim 1981-82 profits to A$28.44m from A$17.65m. An interim dividend of 13 cents was paid against the full 1980-1981 payment of 22 cents.

Struggle for control of Norman Ross

By Michael Thompson-Noel in Sydney

A SHAKE-UP of the Australian retailing scene seems likely to follow from a two-way struggle for control of Norman Ross Discounts, which runs a chain of 40 discount stores in New South Wales and Queensland.

Last week, Grace Brothers, one of Australia's biggest retailers, announced a A$16.6m (US$17.4m) bid for Norman Ross, after disclosing that it held virtually 20 per cent of the shares.

But a rival stake, also of 20 per cent, has been established by Waltons Bond, the property and retailing arm of the Bond Corporation, the main investment vehicle of Mr Alan Bond, the Perth businessman.

Last week, Bond Corporation raised almost A$196m with the sale of its Cooper Basin oil and gas assets, comprising its stakes in Santos and in Reef Oil and Basin Oil.

Norman Ross is 40 per cent controlled by its founders, Mr Gerry Harvey and Mr Ian Norman. The company went public in 1972.

The Grace Brothers' bid values Norman Ross at A$5 a share. Mr Harvey said last night: "If you revalue certain properties, and take in the latest profits, due in three weeks, you get an asset backing for the shares close to A$7-A$7.50." The 1980-81 profit was A$2.85m.

Bancom International in reverse takeover

BY ROBERT COTTRELL IN HONG KONG

BANCOM INTERNATIONAL, a private Hong Kong deposit-taking company with other financial interests, is going public via a reverse take-over of Alexandra Knitters, a locally-quoted former textile company.

Alexandra holds cash and property interests which it says have a total worth of HK$ 25.3m (US$ 4.3m). It will acquire Bancom through the issue of 55m new shares to Bancom's seven shareholders, leaving the Bancom investors with 77.2 per cent of the enlarged group.

Bancom's net assets stand at HK$ 125.4m so the net effect of the take-over will be to increase Alexandra's net assets by 36 per cent to HK$ 2.12 per share, the company says. Alexandra also forecasts a dividend for the current year at least equal to last year's 13 cents.

Bancom is mainly involved in deposit-taking, trade finance and money market activities. It also owns 45 per cent of Bancom Finance, a brokerage company.

The Hong Kong Securities Commission has waived any obligation for the Bancom group to bid for the outstanding shares in Alexandra, as would normally be required of an investor acquiring more than 35 per cent of a company. The deal remains conditional on approval from Alexandra's shareholders, and agreement from local stock exchanges to quote the new shares.

● PANIN HOLDINGS, a financial holding company, plans a HK$65m (U.S.$11.2m) flotation on the Hong Kong stock market. Its principal interests are in finance-related activities in Hong Kong, commercial banking in Macao, and non-life insurance.

Panin was incorporated in December 1980 as the holding company for interests controlled by Mr George Lee, who is also vice-chairman of the Overseas Trust Bank and Hongkong Industrial and Commercial Bank. Mr Lee's Liberian-registered company Samba currently owns 63.75 per cent of Panin. A further 29.16 per cent is controlled by Middle Eastern Investors including the Arinfi group. Arinfi is a Bermuda-registered Arab-owned investment banking and venture capital company.

Panin's net tangible assets are said to be HK$334.3m, while after-tax profits for 1981 totalled HK$17.5m.

The company's present issued share capital comprises 189m shares of HK$1. The flotation issue will comprise 54m new shares at HK$1.20 each, underwritten by Schroders and Chartered, the merchant bank. Net tangible assets are stated at HK$1.36 a share on the capital as enlarged by the issue. The flotation will reduce Samba's holding to 49.58 per cent.

Panin forecasts profits of at least HK$31m for the current year and a final dividend of seven cents.

The company plans to increase its activities in the Asia-Pacific region and in the Middle East, broadening the scope of business into commodities and securities trading as well as property investment.

Air New Zealand aims to shed weight in a return to profit

BY DAI HAYWARD IN WELLINGTON

AIR NEW ZEALAND, the national flag carrier, which lost an estimated NZ$90m (U.S.$70m) in the year to March 31, has laid plans to return to profitability within two years, and to bring a record profit of NZ$50m by 1985-86.

The recovery programme—announced by Mr Norman Geary, the recently-appointed chief executive—involves heavy cost-cutting, including sweeping job reductions, starting with the major cut of 1,000 to 7,056 by March 31 next year.

Trimming the company's NZ$200m annual wage bill is a major part of the recovery programme. Various options include pay cuts, pay pauses for management and staff, loosening of restrictive practices and reductions in allowances. The plans cover staff reductions to 6,928 early in the 1983-84 financial year, and further decreases over the following three years to 6,600 or so.

Air New Zealand aims, on the basis of a slimmed down organisation, to push for new business. Aggressive marketing programmes are to be introduced.

A new, direct service from Auckland to London is to start on August 25. At present, plans are to land at Gatwick, but if the New Zealand Government is successful in negotiating landing rights at Heathrow, Air New Zealand regards itself as winning a bonus. The airline is also to expand its services in Asia.

Sales promotions are to be geared to attracting more young people to travel at an early age, as well as increasing the numbers of tourists and visitors to New Zealand.

The plans now being laid down by Air New Zealand arise from an internal review of the way the airline should be run, but also are revealed shortly after the presentation of a report on the working of the airline by Colker and Associates, the U.S. consultants, commissioned by the New Zealand Treasury—the Government owns the airline—and result in essence from the plunge in recent years in the airline's fortunes.

Four years ago, Air New Zealand was one of the world's few international airlines making a profit. Its position changed after a series of economic blows. These included the worldwide grounding of the McDonnell Douglas DC 10s by the U.S. Federal Aviation Administration for safety reasons three years ago, problems connected with the merger of New Zealand's internal and overseas air operations, and then, traumatically, the air disaster on Mount Erebus, the Antarctic volcano, on an Air New Zealand sightseeing flight in November 1979, in which 257 lives were lost.

The consultants suggested in April—in a report that was angrily received by Air New Zealand in respect of its scope and the timing of its release—that Air New Zealand should streamline its operations, improve its efficiency and cut its staff by some quarter. In the strongly worded report, not formally implemented, the consultants said that reductions of such an order were necessary to make Air New Zealand a "taut fighting ship."

The consultants were also critical of the proposed extension of the Los Angeles to London route, due to come into service on August 25. This, it said, could prove an ill-timed decision, because there could be unaccounted costs, and traffic forecasts on the route could prove over optimistic.

The analysis was sought by New Zealand's Treasury, which will have to make good last year's loss. The investigation, however, carried out by Colker officials who cross-examined managerial staff in Auckland at all levels, went much beyond the original financial audit.

It provided a 250-page report for the New Zealand Cabinet. Mr Robert Muldoon, the Prime Minister, released a 17-page summary for the public.

The *Colker report* recommended staff cuts in all areas, from pilots to cabin crews. Air New Zealand had acquired a reputation of becoming a vast *employment agency* and its over-staffing was well known within New Zealand. Under union agreements, one cabin crew member had to be allo-*cated to every 32 seats*—whether these had passengers or not.

About NZ$3m could be saved by cutting 170 from cabin crew, and another NZ$5m by reducing ticketing and sales staff by 250, said the report.

The report also made a call for the airline's streamlining its management structure and trimming costly work rules.

The report conceded that large scale dismissals faced the possibility of bringing strong industrial opposition, and recommended that the board of directors should be enlarged to include representatives of labour organisations and of the flight crew.

In the past Air New Zealand has expressed pride in its profitable service and maintenance divisions, which supply catering and engineering facilities to other airlines flying into Auckland. However, the authors of the report said these should be separated from the airline and operated as independent organisations, tendering for Air New Zealand's work and competing for work from other airlines.

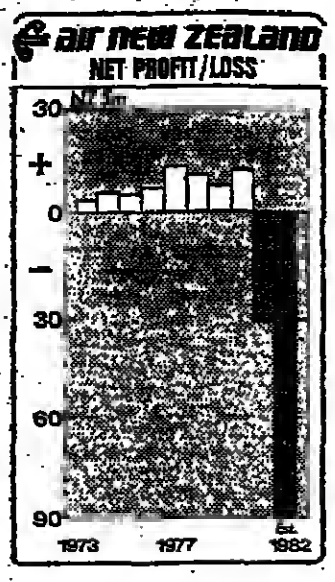
The report compared *Air New Zealand* unfavourably, in terms of its size, staff numbers and management efficiency, with comparable airlines in the U.S.

"*Air New Zealand* management's structure represents a cumbersome bureaucracy characterised by excessive layers of managers and personnel. Decisions are prone to be poorly constructed and ill-timed, and can slip by without adequate challenge."

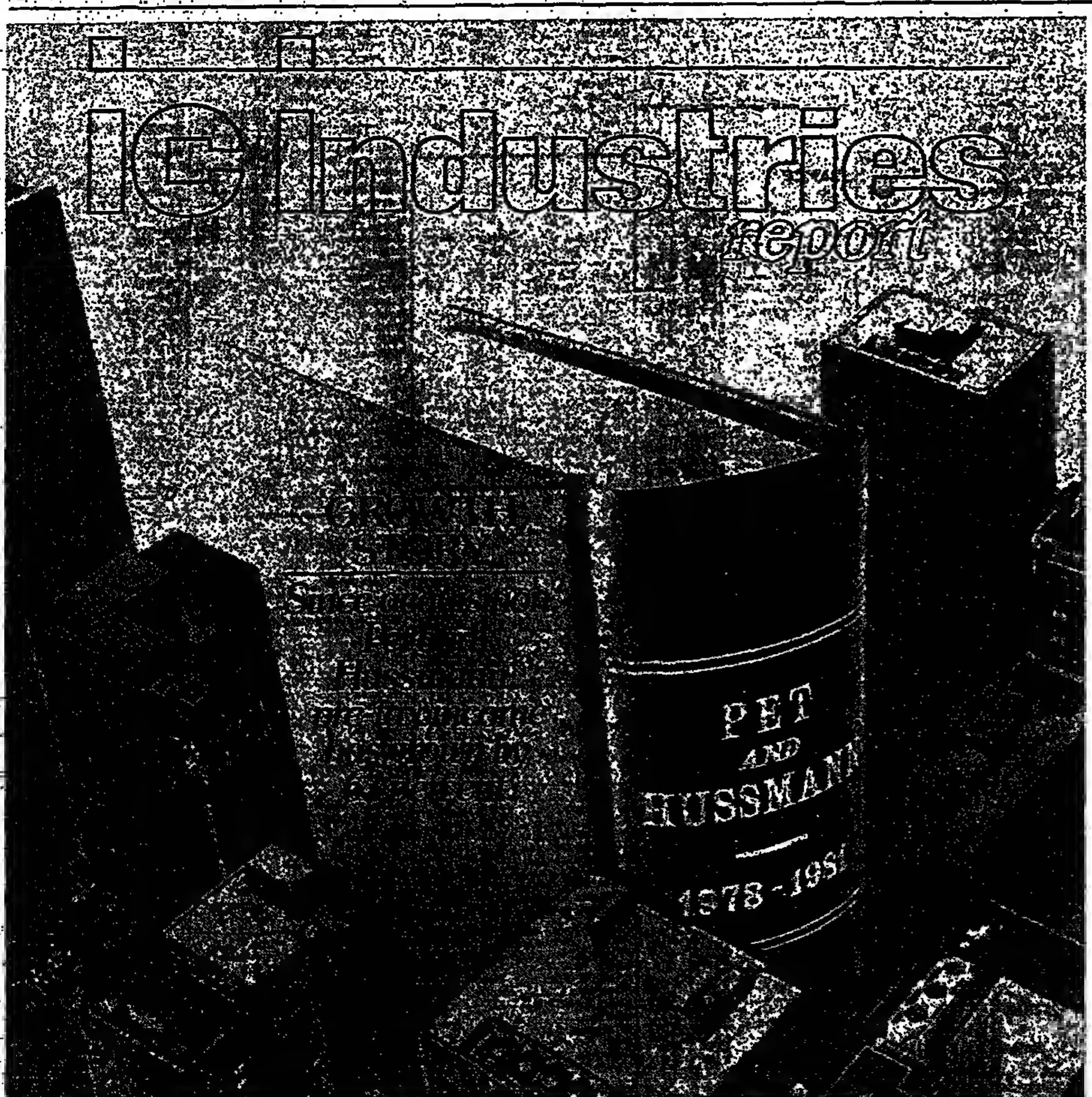
The airline, the report suggested, should provide the New Zealand Treasury with a three-year forward forecast of its financial operations. This would enable the Treasury and the Government to estimate the amount required from the taxpayer to meet future financial losses. The Government could then decide on whether the public benefits from running a national airline outweighed the public costs of meeting losses.

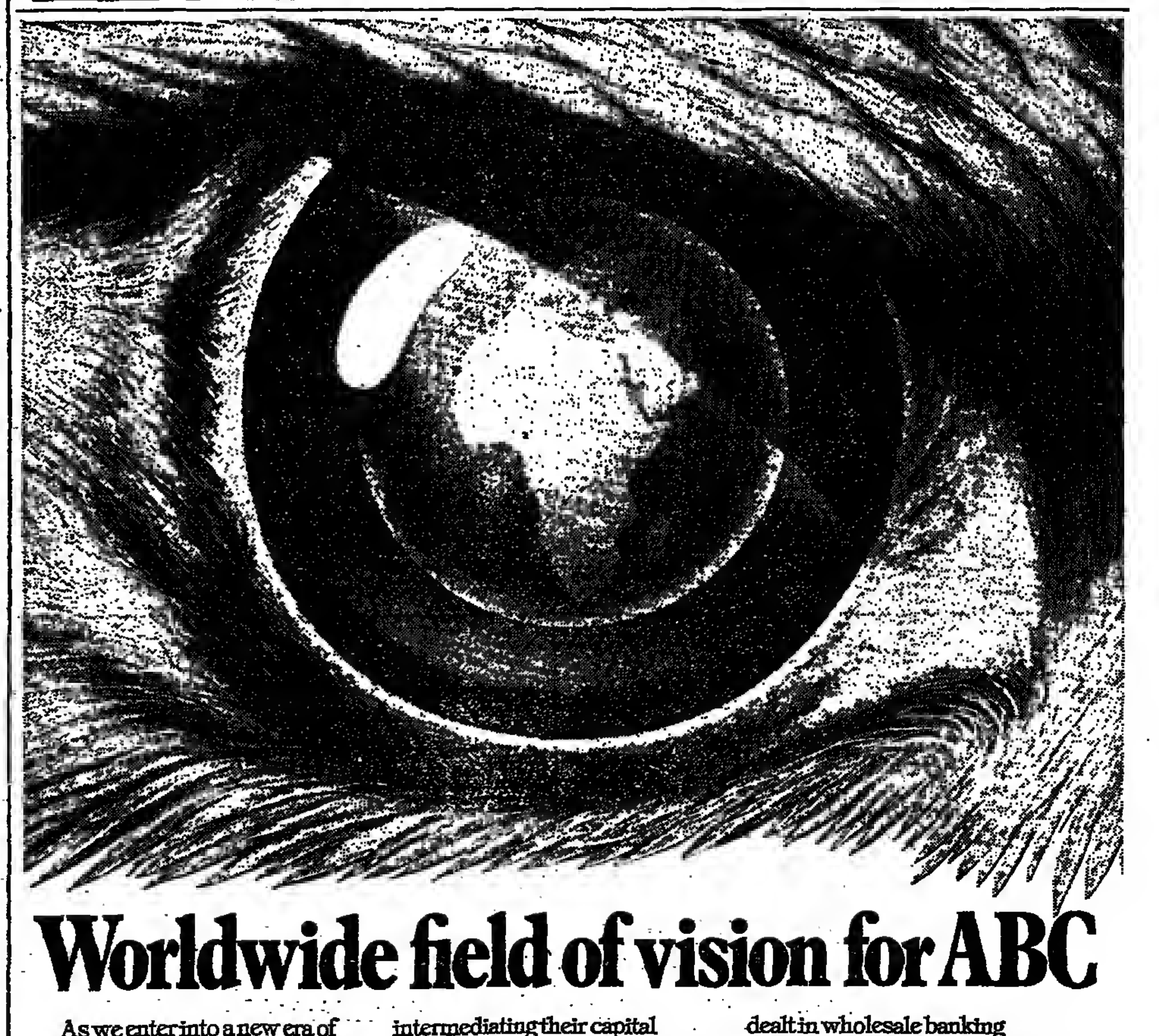
One solution might be to seek a merger with an Australian airline, to operate on a regional basis. In making this suggestion the Colker Report was echoing recommendations put forward some years ago, when a merger between Air New Zealand and the Australian national airline, Qantas was mooted.

Mr Bob Owens, the chairman of Air New Zealand, has, however, dismissed such an idea—which is one that does not, in any case, lend itself towards the favour of the New Zealand public.



Mr Norman Geary (left), recently took over as chief executive of Air New Zealand, and is handling the streamlining of the company, with a view to its returning to profit in two years. Heavy staff cuts are among the moves being made, which he believes are recognised by most employees.





WORLD STOCK MARKETS

Wall St mixed at mid-session

AFTER FLUCTUATING within a narrow range as investors awaited some positive news, Wall Street made a mixed showing at mid-session yesterday.

Analysts said the market is poised for a rally, but investors are reluctant to start buying against a background of high U.S. interest rates, a poor economic outlook and the hostilities in the Middle East.

The Dow Jones Industrial Average was a slight 1.62 harder at 805.65 at 1 pm, while the NYSE All Common Index was 3 cents softer at $63.33. There was a fair turnover of 36.26m shares, exceeding Monday's 1 pm figure of 30.21m.

Wall Street's pessimism about the outlook for the recession and its impact on corporate profits was reflected in the activity of IBM, one of the most popular stocks among institutional investors.

IBM was off 1¼ to $58⅞ on turnover of about 1.4m shares, including a block of 586,800 shares traded at $58⅞.

Ulric Weil, a computer analyst with Morgan Stanley, said more IBM customers have delayed taking delivery on IBM's new 3081 computers, which are expected to account for 10 per cent of the company's earnings this year.

Oil Drilling stocks continued to weaken, with NL Industries off ⅞ to $20 and Newpark Services ⅞ to $7⅞.

THE AMERICAN SE Market Value Index was just 0.05 lower at 257.95 at 1 pm after volume of 2.65m shares (2.79m).

Canada

Markets in Canada also presented a mixed appearance at mid-day after quiet dealings. The Toronto Composite Index was up a marginal 0.6 at 1,459.7, but the Gold shares index, after rising 55.2 the previous day, receded 23.7 to 1,865.4.

Closing prices for North America were not available for this edition.

Tokyo

Some export-orientated Precision Instrument, Light Electrical and Motor issues recovered some ground yesterday, but stock prices overall mainly ended narrowly mixed after light trading.

The Nikkei-Dow Jones Average, which retreated a further 46 points on Monday, eased a slight 2.36 more to 7,240.03. The Tokyo SE index edged up 0.24 to 542.48 after ending 2.67 weaker the previous day. Volume was a low 180m shares but an improvement on Monday's 130m.

Traders said the growing tension in the Middle East in the wake of the Israeli advance into Lebanon and also the Falklands fighting continued to weigh heavily on trading. The increase in a U.S. prime lending rate also kept market participants on their guard.

Investor caution was also heightened by news that a former Government transport minister and his deputy were found guilty and given suspended sentences for their part in the 1976 Lockheed pay-off scandal.

The possible implications of the verdicts for the current Liberal Democratic Party Government of Prime Minister Zenko Suzuki were behind the caution, traders added.

However, of the brighter spots, Canon rallied Y18 to Y794, Hitachi Y13 to Y683, Honda Motor Y7 to Y715, Olympus Y18 to Y893, TDK Electronic Y40 to Y3,700 and Pioneer Electronic Y30 to Y1,560.

Housebuilders, Construction companies and Real Estates fell on recent slow house starts and another quiet day. Ohbayashi-Gumi lost Y9 to Y222, Hasegawa Komuten Y5 to Y370 and Mitsubishi Real Estate Y5 to Y430.

Mounting international tension gave speculative Gold Mining issues and other Non-ferrous Metal shares an uplift. Oils hardened on the prospects for a tighter oil market as a result of the fighting in the Middle East.

Germany

After Monday's broad retreat, the market started on a hesitant note yesterday, due to news of a DM 242m deficit in West Germany's April overall balance of payments and a fall in Veba's first-quarter profits. However, bargain hunting brought a recovery later, leaving stocks firmer-inclined on the day. The Commerzbank index, down 8.3 the previous day, recouped 1.6 of 693.6.

Brokers said an absence of foreign buyers and continuing weakness in the Bond market stood in the way of an across-the-board rally.

The day's favourites were the offspring of the former Kohlegesellschaft, with Harpen gaining DM 4.90 and Hamborn DM 5.00.

In contrast, Utilities issue Veba receded DM 1.90 to DM 124.70 on its poor quarterly results.

In Chemicals, Hoechst was little affected by reports that Kuwait has an 18 per cent stake in the company and closed only DM 0.10 up at DM 119.10.

The Domestic Bond market closed weaker, unnerved by the indecisiveness of the Bonn Cabinet on how to cover the multi-billion D-mark deficits in West Germany's 1982 and 1983 Budgets. Prices of Public Bonds dipped as much as 60 pfennigs. The Bundesbank bought DM 62.6m of paper, compared with DM 83.2m purchased the previous day.

Switzerland

Bourse prices generally declined as volume rose in a late reaction to Monday's increase in Customer Time Deposit rates by Swiss Banks. With the Swiss franc weak and dollar rates high, Swiss shares are increasingly losing attraction for both foreign and domestic investors, dealers said.

Hong Kong

Shares staged a half-hearted rally on light bargain hunting in extremely thin dealings yesterday.

The Hang Seng index, which fell about 24 points more on Monday, recovered 9.16 to 1,346.64. Combined turnover on the four exchanges amounted to a mere HK$146.12m, down from the previous day's HK$205.44m.

Brokers opined that the Middle East tension continued to divert investors' attention mainly away from stocks to other financial instruments, such as Gold Bullion or the money market.

They added that the market has managed to hold above the 1,330 index support level for the time being and is likely to remain above that point unless there are unexpected negative developments in coming days. However, they said the thin activity signals that the market is not ready to rise much without some better news on interest rates or corporate developments.

Australia

Markets drifted slightly easier in quiet and featureless trading with the major Miners and Gold stocks showing little response to the sharp rally in Gold Bullion in New York overnight.

There was little overseas interest and few local sellers, brokers said, adding that traders were still waiting for a positive lead from Wall Street.

Among Gold Minings, Peko-Wallsend lost 10 cents at A$4.35 while Poseidon edged up a cent to A$1.50 and Central Norseman 10 cents to A$4.30.

ICI Australia declined 8 cents to A$1.53 for a two-day fall of 12 cents on the reduced half-time profits.

Johannesburg

Gold shares were only modestly firmer on the rally in the Bullion price. Gains in Heavyweights were limited to R1, as in Buffelsfontein, R35.

Indices

NEW YORK —DOW JONES

	June 7	June 4	June 3	June 2	June 1	May 28	1982 High	1982 Low	Since Cmpil'tn High	Since Cmpil'tn Low
◆ Industr'ls	804.03	804.98	813.58	816.88	814.97	819.54	882.52 (4/1)	795.47 (8/3)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	58.54	58.62	58.81	58.66	58.79	58.96	60.27 (27/5)	55.57 (12/8)	—	—
Transport	316.55	317.07	323.07	320.74	319.81	320.14	380.46 (7/1)	314.55 (8/6)	447.38 (16/4/81)	12.32 (8/7/32)
Utilities	110.46	110.52	111.08	110.61	112.20	111.06	116.85 (7/6)	103.31 (18/1)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	44,650	44,110	48,450	49,220	41,860	45,900	—	—	—	—

◆ Day's high 809.83 low 797.02

Indust'l Div. yield %	June 4	May 28	May 21	Year ago (Approx)
	6.93	6.80	6.70	5.52

STANDARD AND POORS

	June 7	June 4	June 3	June 2	June 1	May 28	1982 High	1982 Low	Since Cmpil'tn High	Since Cmpil'tn Low
Indust'ls	125.05	122.88	124.05	125.15	124.51	124.95	137.28 (4/1)	118.41 (8/3)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	110.12	110.09	111.86	112.04	111.96	111.88	122.74 (4/1)	107.34 (8/3)	140.52 (28/11/80)	4.40 (1/6/32)

	June 2	May 26	May 12	Year ago (approx)
Indust'l div. yield %	6.72	6.74	6.72	4.79
Indust'l P/E ratio	7.56	7.41	7.74	9.14
Long Gov. Bond yield	13.24	12.96	12.87	12.86

N.Y. S.E. ALL COMMON

June 7	June 4	June 3	June 2	1982 High	1982 Low
63.30	63.42	64.42	64.03	71.20 (4/1)	59.32 (12/3)

Rises and Falls

	June 7	June 4	June 3
Issues Traded	1,876	1,826	1,848
Rises	538	330	594
Falls	903	1,096	816
Unchanged	432	400	438
New Highs	6	9	11
New Lows	176	102	128

MONTREAL

	June 7	June 4	June 3	June 2	1982 High	1982 Low
Industrials	262.88	265.98	268.38	272.22	332.75 (4.1)	262.88 (7/6)
Combined	250.53	250.86	255.13	257.14	316.08 (4.1)	250.53 (7/6)
TORONTO Composite	1459.0	1460.8	1484.4	1495.5	1956.3 (4.1)	1459.0 (7/6)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
IBM	824,300	60	− ¼
Moss Petroleum	731,000	18⅞	+ ¼
Cities Service	653,900	36	−2½
ATT	573,400	51½	+ ⅛
Exxon	542,600	27⅞	—
Hewlett-Packard	540,500	41	− ⅜
Union Oil Calif.	531,500	36	+1¼
Schlumberger	529,000	40⅞	− ¼
Aetna Life	398,600	35½	− ⅞
Am. Home Prod.	388,000	35¾	− ¼

(**) Saturday, June 5: Japan Dow 7,287.47, TSE 544.97.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed u Unavailable.

LONDON STOCK EXCHANGE

Base rate cuts fail to generate stimulus necessary for 30-share index to break record—Gilts turn dull

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 7	June 17	June 18	June 28
June 21	July 1	July 2	July 12
July 5	July 15	July 16	July 26

* "New time" dealing may take place from 9 am two business days earlier.

Clearing bank base rate reductions of ½ to 12½ per cent failed yesterday to inject the stimulus to take the long-established FT Industrial Ordinary share index to an all-time record. Within less than a point of its April 1981 peak of 597.3 soon after the opening, this measure subsequently eased continuously to close a net 1.4 up at 594.0. The small overall gain was, however, sufficient to take the FT-Actuaries All-Share index to a high since compilation of 340.98.

A day which thus began promisingly for equities in anticipation of increased investment through the commitment of pension funds ended rather raggedly. Another favourable indicator, the May wholesale price indices, was annulled by the month's sharp expansion in money growth, estimated officially at around 1½ per cent compared with recent increases of only ½ per cent.

The latter particularly affected Government securities, which relinquished early gains to settle lower for the first time in 12 trading sessions. Gains initially ranged to ½ among longer-dated issues and, ahead of today's application for the new short tap Treasury 12¼ per cent Convertible 1986 in £30-paid form, the shorts also managed to improve. At the close, however, losses to ⅛ prevailed at both ends of the market.

In other areas of London stock markets, trading and other statements, including fund-raising proposals generated interest. The most important among these was Midland Bank's call for £100m via the issue of a 25-year Loan stock; the announcement quashed talk that the clearer was contemplating the issue of new Ordinary shares by way of rights and the shares responded sharply.

Midland good

Already a couple of pence harder following the half per cent reduction in base lending rates, Midland advanced further to finish 12p up at 350p, after 354p, the announcement that the bank is raising £100m via a placing of subordinated Unsecured Loan stock 2002/07 suppressing rights issue fears. Other major clearers improved in sympathy, with NatWest ending 9 up at 452p and Barclays adding 7 at 472p, after 474p. Lloyds put on 4 to 402p, after 404p.

Discount Houses also perked up on the move towards cheaper money and double-figure gains were fairly commonplace. Gerrard and National rose 13 to 288p, while Cater Allen firmed 10 to 325p as did Union, to 460p. Hire Purchases also responded favourably with Provident Financial notable for a rise of 6 at 127p.

Rumours of a bid or dawn raid from overseas again brought about a ready response from Minet, which touched a 1982 peak of 207p before closing 2 dearer on balance at 204p. C. E. Heath, recently talked of as a possible merger partner for Minet, found support and jumped 14 to 327p. Elsewhere in Insurances, London United Investments gained 8 to 187p.

Disappointing interim figures from Bass, down 7 at 240p, after 248p, tended to dampen initial enthusiasm for the Brewery leaders. Allied-Lyons, up to 101p at one stage, closed unaltered on balance at 99p. Regionals, in contrast, made a bright showing. Young A improved 7 further to 320p, while Burtonwood gained 8 to 445p and Boddingtons 5 to 171p. Ruddles were 6 dearer at 174p. Elsewhere, HP Bulmer advanced 13 more to 435p, and Merrydown improved 5 to 88p.

The trend towards cheaper money prompted fresh support for Building descriptions and Cement issues made a particularly firm showing helped by talk that deliveries were picking up. Blue Circle rose 12 to 478p. Tarmac gained 12 to a 1982 peak of 598p, while BPB Industries touched 470p before settling a net 4 up at 468p. London Brick firmed 3 to 104p, while Nottingham Brick, a thin market, jumped 10 to 175p. Further small buying lifted Burnett and Hallamshire 30 to 885p and Wilson (Connolly) 8 to a 1982 peak of 233p.

Interest in leading Chemicals faded and ICI, after opening a shade firmer, drifted off to close 2 cheaper on balance at 330p. Fisons edged up a couple of pence to a 1982 peak of 365p.

Habitat firm

Habitat stood out among Stores, rising 5 to 154p. Elsewhere, N. Brown Investments gained 5 to 129p on further consideration of the preliminary figures. Bambers revived with a rise of 3 to 26p. Foster Bros added 4, at 68p, as did Harris Queensway, 194p, and A. G. Stanley, 61p.

Plessey continued to attract buyers on defence spending considerations and rose 10 more to 455p. GEC recorded a fresh 1982 peak of 960p in the early trade but reacted on lack of follow-through support to close only 6 up on balance at 954p. Recently troubled by rights issue fears, Thorn EMI perked up 6 at 428p. Elsewhere in Electricals, Standard Telephones and Cables put on 10 to 615p as did Lec Refrigeration, 230p, while Sound Diffusion firmed 8 to 111p. CASE were unchanged at 303p; the company has an official listing and is not traded in the Unlisted Securities Market as stated here yesterday.

Inclined harder initially, the Engineering leaders turned easier and ended a few pence cheaper on balance. In contrast, TI were dull throughout and closed only a couple of pence above the worst at 138p, down 6 on the day; a large line of shares was reported to have been on offer. Among secondary issues, revived demand in a limited market left Yarrow 10 higher at 385p, while Chemring, reflecting Press mention, firmed 10 to 390p. Thomas Locker responded to the increased dividend and profits with a rise of 3½ to 17p, but lower annual profits left Capper-Neill a couple of pence lower at 67p. Westland closed 3 down at 117p awaiting today's interim figures.

Food Retailers displayed a firm appearance. J. Sainsbury rose 6 to 635p and Associated Dairies 4 to 134p, while Bishops A, still reflecting the better-than-expected preliminary results, added 5 more to 110p. Elsewhere, Chambers and Fargus met revived support and put on 4 to 34p, while Albert Fisher touched 48p before closing a net 2 dearer at 47p. Carr's Milling Industries put on 5 to 79p in response to the good interim results, while Glass Glover, half-yearly results due on June 29, gained 8 to 142p.

Grand Metropolitan touched 231p before reacting to close a penny cheaper on balance at 227p; the new nil-paid shares also settled a penny easier on balance at 55p premium, after 59p premium. Among other Hotels and Caterers, Queens Moat Houses added a penny to 29½p following a Press mention, but Brent Walker lacked support and shed 6 to 73p.

St George's up

Demand ahead of Friday's preliminary results helped Pilkington to close 11 better at 245p among mixed miscellaneous industrial leaders. Reed International picked up 4 to 326p, after 330p, following a reappraisal of the results, while Bowater revived with a rise of 6 to 220p. Reckitt and Colman rallied 5 to 302p but Glaxo, after touching a 1982 peak of 720p, closed a couple of pence cheaper on balance at 715p. Secondary issues provided numerous features. St George's Group advanced 6½ to 138p, after 141p, on news of a bid approach and Extel jumped 18 to 353p following revived investment demand. Rock Darham gained 2 to 14p in response to the chairman's encouraging AGM statement, while Sketchley firmed 3 to 269p despite the proposed £7.25m rights issue which accompanied the results. Still reflecting investment comment, Whatman Reeve Angel gained 5 more at 310p. Consultants improved 2 more to 184p. Rotaprint lost 2 to 10p on the proposed £1.4m rights issue and details of losses incurred during the last financial year. Amalgamated Metal came on offer and fell 20 to 390p, while Sothebys were also friendless at 290p, down 17; the latter's half-year figures are due early next month.

Dowty met renewed support and firmed 5 to 141p. Garages were irregular. Revived demand in a market short of stock lifted Lex Service 5 to 130p, but lack of interest left Henlys 3 cheaper at 89p.

Small buying in a restricted market lifted book publishers Routledge and Keegan Paul 20 to 200p.

Inclined firmer at first on the base rate cuts, leading Properties drifted off to close virtually unchanged, although secondary issues made progress in places. Daejan met support again and put on 6 for a two-day rise of 11 to 167p, while Laing Properties, 186p, and Espley-Tyas, 91p, added 3 apiece.

Oils quiet

Oils usually closed a shade cheaper after a slow trading session. Inclined harder initially, BP closed 2 off on balance at 322p, but Shell finished that much dearer at 424p, after 426p. Outside of the leaders Premier responded to the preliminary figures and proposed scrip issue by rising to 51p before drifting back on lack of follow-through support to close only a penny firmer at 49p. Meritex continued to make progress at 125p, up 5, but Clyde turned dull at 110p, down 5.

Among Financials, RKT advanced to 147p in response to the recovery in half-year profits before closing 3 firmer on the day at 141p.

Firm shippings were featured by a rise of 13 to 468p in British and Commonwealth. Still reflecting the deal with J. Fisher, Hunting Gibson hardened 2 for a two-day rise of 19 to 120p.

Fresh selective support was evident in Textiles. Jerome Holdings were outstanding at 72p, up 7, while Nottingham Manufacturing continued to make progress with a further gain of 6 to 188p. Nova Jersey firmed 3 more to 82p, while rises of 2 were marked against R. Smallshaw, 29p, and Bulmer and Lumb, 40p. Atkins Bros. hardened a penny to 74p following the preliminary figures.

Tobaccos followed the general trend, Imps closing without alteration at 98p after touching 100p in the early dealings.

South African industrials made progress with Barlow Rand closing 14 up at 332p and OK Bazaars 40 better at 725p.

Golds advance

Gold shares made another bright showing, boosted by yesterday's further rise in the bullion price and the generally good dividends from the Gold Fields group mines.

Share prices were marked-up at the outset, reflecting strong gains in gold and gold shares in overnight U.S. markets, and made further progress in front of and following the Gold Fields mines' dividend declarations.

However, a late downturn in the bullion price, which closed $6 up at $330.375 an ounce after having touched around $336 in unofficial trading earlier, prompted scattered selling from the U.S. and share prices closed a fraction below the day's best.

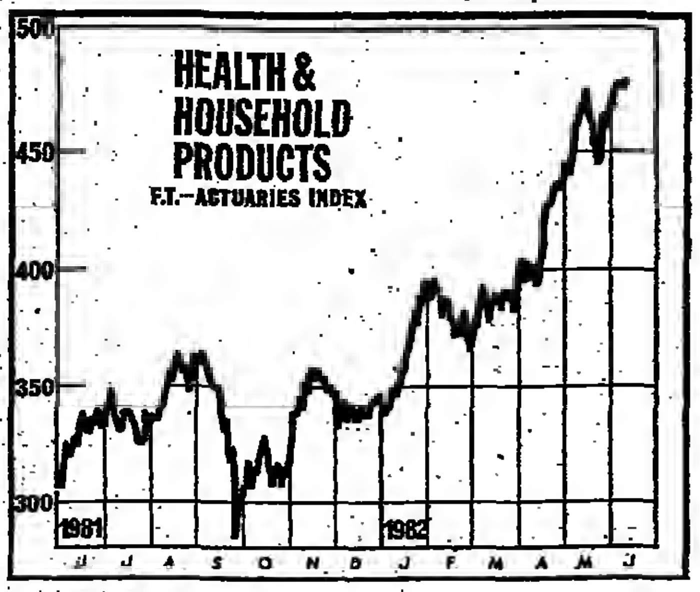
Among the dividend declarers, the payments from Doornfontein and Libanon were particularly well received with both up 27 at 768p and 782p respectively.

The payments from Driefontein, ½ firmer at £10, and Kloof, ½ better at £12¼, were considered to be satisfactory while Deelkraal managed a 5 gain to 159p despite the dividend omission. The next batch of June dividends, those of Grootvlei, Marievale and St Helena, is due on Friday.

The Gold Mines index put on 7.7 more to 235.7—a two-day gain of 13.7.

In South African Financials, UC Investments gained 35 to 425p and "Amgold" ½ to £31 while London issues were highlighted by Rio Tinto-Zinc, up 8 at 420p. Australians remained in the doldrums.

The volume of business in Traded Options contracted with the number of deals reduced to 1,584 from Monday's 2,280. Imperial were again fairly busy, recording 325 contracts—265 calls and 60 puts.



FINANCIAL TIMES STOCK INDICES

	June 8	June 7	June 4	June 3	June 2	June 1	A year ago
Government Secs.	70.39	70.40	70.16	70.08	69.76	69.74	65.81
Fixed Interest	70.32	70.32	70.32	70.26	70.00	70.06	67.31
Industrial Ord.	594.0	592.6	587.5	586.8	585.1	587.2	545.5
Gold Mines	235.7	228.0	226.0	224.0	220.0	229.4	338.0
Ord. Div. Yield	5.51	5.53	5.57	5.60	5.59	5.57	5.91
Earnings, Yld.% (full)	11.06	11.11	11.19	11.23	11.25	11.23	11.76
P/E Ratio (net) (*)	10.99	10.94	10.86	10.82	10.79	10.82	10.61
Total bargains	17,226	18,283	17,032	15,399	14,610	16,760	19,740
Equity turnover £m	—	128.40	136.50	183.25	189.26	111.74	181.83
Equity bargains	—	12,498	14,850	15,830	12,305	12,190	15,469

10 am 596.4. 11 am 595.1. Noon 595.1. 1 pm 594.7. 2 pm 594.7. 3 pm 594.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974. † Corrected.

Latest Index 01-246 8026.

* Nil=10.18.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.40 (7/6)	61.89 (7/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.32 (7/6)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	594.0 (8/6)	518.1 (5/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	302.0 (5/1)	209.8 (8/3)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 7	June 4
Daily		
Gilt Edged Bargains	183.3	186.8
Equities Bargains	91.0	96.1
Value	383.5	675.9
5-day Avrge.		
Gilt Edged Bargains	178.0	175.9
Equities Bargains	84.8	83.4
Value	384.8	380.1

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	29	3	54
Corpns., Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	388	146	833
Financial & Props.	174	45	291
Oils	17	27	55
Plantations	3	4	15
Mines	56	21	82
Others	47	40	63
Totals	680	342	1,434

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div.	Times covered	Gross yield	P/E Ratio
‡850	F.P.	23/6	278	265	Assoc. Heat Services	278	—	b6.0	2.1	4.3	14.1
‡90	F.P.	—	101	92	Black(Michael)10p	99	—	u3.0	2.4	4.3	12.7
15	F.P.	18/4	32	19	Cambrian & Gen. 7½p	21	+1				
‡260	F.P.	4/6	420	295	Cont. Microwave	420					
‡130	F.P.	28/5	151	140	Druck Hldgs.	151	+3	b5.25	3.9	5.0	8.8
‡S74½	F.P.	25/6	88	84	Electro-Prot. US$0.50	85	+1	ug1.5c	8.9	1.0	11.5
—	—	—	17	10	Group Inv Option	14					
‡250	F.P.	14/5	250	245	Ile Technology	247					
105	F.P.	—	121	110	Miles 33 10p	117		ud2.6	4.5	3.1	8.9
600	F.P.	—	670	635	Oriflame SA (US$1.50)	635		b06c	2.5	2.3	12.0
77	F.P.	—	97	88	Radio City 'A' NV	93	−1	b5.6	1.5	8.6	18.9
140	F.P.	—	174	160	Ruddle (G.) 10p	174	+8	b3.5	2.6	2.7	26.6
‡	F.P.	—	26	19	Stewart Nairn	21					
‡	F.P.	—	60	50	Zambia Cons Cpr	50					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
‡100	£10	—	11	10½	Bournemouth Water 9% Red. Prf. '87 89	11	
‡99.251	£25	14/7	31	31½	Credit Foncier de France 14¾% Ln. 2007	25¼	−¼
‡100	F.P.	1/7	102½	101¼	East Anglia Water 9% Red. Prf. 1987	101¼	
‡	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	142	
‡100	F.P.	—	32	28	Grt. N'rth'n Inv. 4pc Nat Cum. Prf. £1	30	
‡	F.P.	—	46	45	Do. 4.7pc Nat Cum. Prf. £1	46	
‡100	Nil	—	1pm	½pm	Marlborough Props. 10% Cnv. Ln. 96-2003	1pm	
‡100	£10	—	11	11	Mid-Southern Wtr. 9% Pref. 1987	11	
‡100	F.P.	—	100½	100¼	Nationwide Bdg. Soc. 14¾% (25/4/83)	100¼	+⅛
‡100	F.P.	—	100	99¾	Do. 13¾% (23/5/83)	100	+⅛
‡100	F.P.	—	100½	100¼	Do. 13¾% (6/6/83)	100¼	
‡107	F.P.	29/4	113	107	Queens Moat 10¼ Cnv. '89-91	111½	+1
‡100	£10	—	11	11	Wrexham Water 9% Red. Prf. '87-89	11	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date		1982 High	1982 Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	13½	11	Ansbacher (H.) 5p	13½	
170	F.P.	12/5	24/6	190	180	Bank Leumi (UK) £1	185	−1
156	F.P.	28/5	9/7	170	158	Carless Capel 10p	170	+1
174	Nil	—	—	59pm	44pm	Grand Met 50p	55pm	+1
Dkr195	Nil	—	—	¾pm	3pm	Great Northern Tel (£10)	4½pm	
8	F.P.	10/5	21/6	13	11	Grovebell (5p)	11	
500	F.P.	30/5	16/6	616	576	Hammerson Prop.	610	−5
500	F.P.	29/5	18/6	590	550	Do. A	590	+10
Dr.125	Nil	—	—	¼pm	⅛pm	Norsk Hydro (Kr. 100)	½pm	
50	Nil	—	—	8pm	2pm	Press (Wm.) 10p	7pm	+1
286	Nil	—	—	120pm	85pm	Saatchi & Saatchi 10p	90pm	
170	F.P.	14/5	11/6	264	212	Steel Bros.	243	
10	F.P.	24/5	25/4	12	10½	Sturla 10p	11½	
135	F.P.	10/5	10/6	138	140	Vickers (£1)	138	
25	Nil	—	—	1pm	¼pm	Young (H.)	¼pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ‡ Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ◆ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ▲ Issued free as an entitlement to ordinary holders.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Doornfontein	768	+27	Minet	204	+2
Grand Met "New"	55pm	+1	NatWest Bank	452	+9
Heath (C. E.)	327	+14	Racal Elec.	410	
Imperial Group	98	—	St George's Group	138	+6½
Land Securities	290	—	TI	138	−6
Midland Bank	350	+12	Tarmac	598	+12

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
GEC	15	954	+6	Fisons	12	363	+13
Allied-Lyons	14	99	−1	ICI	12	332	+6
Metal Box	14	166	+16	Plessey	12	455	+10
Reckitt Colman	14	296	−4	Cable Wireless	11	285	+5
Beecham	13	277xd	+7	Grand Met New	11	55pm	+8
Glaxo	13	717	+10	Royal Insurance	11	347	+12
ICL	13	59	−3	BAT Inds	10	465	+2

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tue June 8 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon June 7 Index No.	Fri June 4 Index No.	Thur June 3 Index No.	Wed June 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	403.71	+0.7	9.13	4.06	13.47	400.94	398.06	398.79	398.29	343.49
2	Building Materials (23)	349.07	+1.8	12.57	5.19	9.39	342.82	344.15	343.97	343.62	308.20
3	Contracting, Construction (28)	630.35	+1.3	13.85	4.87	8.50	622.54	624.87	625.32	624.60	557.80
4	Electricals (31)	1492.25	+0.5	6.49	2.01	19.58	1485.00	1469.23	1471.81	1469.66	1074.08
5	Engineering Contractors (11)	503.36	+0.2	13.16	6.02	9.15	502.50	501.24	497.75	481.25	485.33
6	Mechanical Engineering (67)	208.93	+0.3	10.99	5.59	10.99	208.39	206.40	206.85	206.74	211.14
8	Metals and Metal Forming (11)	169.97	—	10.04	6.99	12.52	170.05	169.03	170.24	170.10	161.52
9	Motors (20)	95.04	+1.0	1.81	7.42	—	94.06	95.58	95.37	95.78	102.56
10	Other Industrial Materials (18)	374.00	+0.7	9.80	5.67	12.49	371.36	366.21	368.75	364.73	378.40
21	CONSUMER GROUP (201)	317.49	+0.5	12.47	5.49	9.72	316.00	315.07	314.71	313.34	281.24
22	Brewers and Distillers (22)	333.83	−0.2	13.95	6.10	8.74	334.50	335.01	329.67	326.73	317.34
25	Food Manufacturing (22)	270.41	+0.6	17.17	6.92	6.79	268.87	268.40	269.39	268.02	256.77
26	Food Retailing (14)	624.65	+1.0	9.09	3.41	13.35	618.39	618.22	617.59	612.38	536.41
27	Health and Household Products (8)	478.83	+0.7	7.25	3.56	16.28	475.57	475.94	475.67	473.77	327.43
29	Leisure (23)	443.86	+1.0	10.00	5.23	12.51	439.55	439.42	440.65	440.08	424.92
32	Newspapers, Publishing (12)	538.76	—	12.72	5.85	10.01	538.78	538.78	538.78	537.62	580.28
33	Packaging and Paper (14)	153.22	+1.2	15.24	7.09	7.62	151.35	150.28	149.60	150.16	138.82
34	Stores (45)	289.81	+0.5	10.20	4.83	12.93	288.42	286.91	288.02	286.85	264.47
35	Textiles (23)	174.93	+0.6	12.82	6.07	9.62	173.96	175.43	175.54	173.19	158.86
36	Tobaccos (3)	339.39	−0.1	21.54	8.10	5.23	339.77	336.36	332.58	332.33	260.77
39	Other Consumer (15)	287.33	+1.1	0.20	5.24	—	284.13	284.82	285.54	285.35	298.70
41	OTHER GROUPS (77)	266.83	+0.3	12.91	6.25	9.37	265.95	264.02	263.19	261.78	227.03
42	Chemicals (16)	352.59	−0.2	13.06	6.61	9.19	353.40	350.24	347.72	346.42	280.37
44	Office Equipment (4)	114.03	—	14.26	7.66	8.61	114.03	114.42	114.60	114.42	114.76
45	Shipping and Transport (13)	584.01	+1.3	19.10	7.05	6.35	576.75	572.74	572.12	567.38	562.61
46	Miscellaneous (44)	345.99	+0.7	10.05	5.46	11.23	343.55	341.12	341.80	338.74	294.95
49	INDUSTRIAL GROUP (487)	339.96	+0.5	11.27	5.05	10.80	338.15	336.42	336.32	335.15	295.05
51	Oils (13)	756.00	−0.1	20.93	7.69	5.41	756.87	746.78	749.66	740.17	739.84
59	500 SHARE INDEX	373.84	+0.4	12.82	5.48	9.31	372.24	369.84	369.50	368.78	330.89
61	FINANCIAL GROUP (117)	251.93	+0.9	—	6.60	—	249.64	248.82	248.73	247.36	256.40
62	Banks (6)	277.79	+1.7	37.68	7.74	2.90	273.20	273.74	274.93	271.90	256.89
63	Discount Houses (9)	242.29	+3.0	—	9.42	—	236.17	238.86	236.66	236.82	274.49
65	Insurance (Life) (9)	268.71	+0.5	—	6.81	—	267.47	264.52	264.81	263.54	260.00
66	Insurance (Composite) (10)	154.41	+0.6	—	9.17	—	153.45	151.99	151.92	152.24	149.76
67	Insurance Brokers (7)	506.74	+1.6	10.92	5.12	12.42	498.66	493.89	490.84	488.42	482.16
68	Merchant Banks (12)	147.57	+0.2	—	5.75	—	147.31	145.51	145.92	143.41	165.99
69	Property (49)	425.81	+0.7	5.24	3.76	25.40	422.99	421.40	420.69	418.84	466.71
70	Other Financial (15)	172.63	+0.3	18.01	6.63	6.42	172.09	173.02	173.43	173.77	176.36
71	Investment Trusts (111)	305.33	+0.3	—	5.33	—	304.33	306.17	306.46	304.25	307.18
81	Mining Finance (4)	198.75	+0.9	15.71	7.09	7.98	196.98	199.08	198.47	200.30	246.77
91	Overseas Traders (18)	353.95	+0.1	14.06	8.93	8.80	353.60	359.65	360.63	361.55	462.84
99	ALL-SHARE INDEX (750)	340.98	+0.5	—	5.73	—	339.26	337.71	337.47	336.61	315.88

FIXED INTEREST

	PRICE INDICES	Tue June 8	Day's change %	Mon June 7	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	112.79	+0.03	113.11	0.36	5.40
2	5-15 years●	113.64	−0.18	114.05	0.21	5.44
3	Over 15 years	118.65	−0.26	119.40	0.74	5.74
4	Irredeemables	120.82	—	120.82	—	6.30
5	All Stocks●	114.46	−0.34	114.85	0.23	5.51
6	Debentures & Loans	89.37	+0.25	89.15	—	5.10
7	Preference	65.20	+0.15	65.80	—	3.21

	AVERAGE GROSS REDEMPTION YIELDS		Tue June 8	Mon June 7	Year ago (approx.)
1	British Government Low Coupons	5 years	11.80	11.82	12.36
2		15 years	12.42	12.40	12.94
3		25 years	12.51	12.48	13.05
4	Medium Coupons	5 years	13.40	13.39	14.52
5		15 years	13.46	13.41	14.77
6		25 years	12.89	12.85	14.37
7	High Coupons	5 years	13.42	13.35	14.52
8		15 years	13.61	13.57	14.97
9		25 years	12.94	12.91	14.56
10	Irredeemables†		12.18	12.18	12.40
11	Debs & Loans	5 years	14.47	14.52	15.40
12		15 years	14.45	14.50	15.40
13		25 years	14.44	14.48	15.40
14	Preference†		15.24	15.25	15.66

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. ● Corrected figures for June 7, 1982.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (129)

BRITISH FUNDS (7)
INT. BK. & O'SEAS GOVT. STLG. ISS. (1)
LOANS (4)
FOREIGN BONDS (2)
BANKS (1)
BEERS (8)
BUILDINGS (11)
CHEMICALS (5)
DRAPERY & STORES (11)
ELECTRICALS (8)
ENGINEERING (7)
FOODS (5)
HOTELS (2)
INDUSTRIALS (25)
INSURANCE (4)
MOTORS (4)
NEWSPAPERS (2)
PROPERTY (11)
SHIPPING (2)
TEXTILES (8)
TRUSTS (9)
OIL & GAS (1)

NEW LOWS (43)

AMERICANS (8)
Amax; Chase Manhattan; Bankers N.Y.; Colgate-Palmolive; Bendix Corp.; Fluor Corp.

CANADIANS (2)
Inco; Rio Algom

BANKS (3)
Bank of Scotland; Smith St Aubyn; Deutsche Bank

BUILDINGS (4)
Cement-Roadstone; Glossop; Crouch Group; Leech (Wm.)

STORES (1)
Wilkinson Warburton

ELECTRICALS (3)
Mitel Corp.; Wigfall (H.); Norsk Data

ENGINEERING (6)
British Northrop; RHP; Brockhouse; Robinson (Thos.); Hunt & Moscrop; Tecalemit

HOTELS (1)
Rowton Hotels

INDUSTRIALS (6)
Advance Services; Buple Int.; Amalg'd Metal; Esperanza; Brook St Bureau; Unilever N.V.

PROPERTY (1)
Town & City 7pc Cnv. Cum. Pref.

TRUSTS (2)
Fulcrum; Hampton Trust; Stewart Ent. Inv.

OIL & GAS (1)
Double Eagle

TEAS (2)
McLeod Russel; Do. 8.4pc Cnv. Pf.

MINES (4)
North Broken Hill; Ayer Hitam; North Kalgurli; Tronoh

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 24	June 11	Sept 2	Sept 13
June 14	June 25	Sept 16	Sept 27
June 28	July 9	Sept 30	Oct 11

For rate indications see end of Share Information Service

Stocks to attract money for the call included J. Hepworth, Electro Protectives, Lofs, UDS, Black and Edgington, Clyde Petroleum, ICL, Barker and Dobson, First National Finance, Central and Sheerwood, Imperial Group, Pacific Copper, Premier Consolidated, Town and City and Ladbroke. Calls were arranged in Glaxo, Fisons and Imperial Group, while double options were transacted in Electro Protectives, Town and City and Premier Consolidated.

London Clearing Banks' balances

as at May 19 1982

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.
AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	Total outstanding £m	Change on month £m	Change on month £m
Sterling deposits:				
UK monetary sector	12,657		+847	
UK private sector	46,624		+51	
UK public sector	935		+58	
Overseas residents	6,028		+2	
Certificates of deposit	3,287		+79	
		69,531		+1,037
of which: Sight		21,876		+108
Time (inc. CD's)		47,655		+930
Foreign currency deposits:				
UK monetary sector	12,841		−100	
Other UK residents	3,284		−119	
Overseas residents	30,108		−701	
Certificates of deposit	4,157		+14	
		50,389		−905
Total deposits		119,920		+132
Other liabilities*		14,996		−367
TOTAL LIABILITIES		134,916		−235
ASSETS				
Sterling				
Cash and balances with Bank of England		1,182		−53
Market loans:				
Discount houses	2,700		+94	
Other UK monetary sector	11,352		+659	
Certificates of deposit	1,242		−90	
Local authorities	1,573		−18	
Other	1,344		−58	
		18,211		+587
Bills:				
Treasury bills	188		+13	
Other bills	1,184		+127	
		1,372		+140
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,653		−13	
Other	2,600		−12	
		5,253		−25
Advances:				
UK private sector	43,876		+364	
UK public sector	664		+97	
Overseas residents	3,497		+56	
		48,037		+517
Other sterling assets*		8,380		−325
Foreign currencies				
Market loans:				
UK monetary sector	12,733		−729	
Certificates of deposit	334		−27	
Other	21,649		−116	
		34,715		−873
Bills		110		+13
Advances:				
UK private sector	3,064		+34	
UK public sector	495		−12	
Overseas residents	11,342		−188	
		14,901		−167
Other foreign currency assets*		2,755		−48
TOTAL ASSETS		134,916		−235
Acceptances		2,534		−17
Eligible liabilities		52,394		+607

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	119,920	+132	33,846	−389	21,660	+372	25,066	−291	36,120	+525	3,229	−85
ASSETS												
Cash and balances with Bank of England	1,182	−53	374	−2	233	+48	232	−19	304	−78	40	−4
Market loans:												
UK monetary sector	26,734	+24	7,039	−574	4,698	+447	3,603	−233	10,973	+458	471	−74
Other	25,142	−310	7,363	−18	5,066	−464	5,455	−37	7,403	+196	855	+13
Bills	1,482	+153	504	+89	320	+77	321	−61	317	+67	21	−20
British Government stocks	2,653	−13	836	+3	426	−3	800	+13	539	−25	52	—
Advances	62,938	+350	18,503	+110	11,597	+176	13,907	+66	17,085	+1	1,847	−3

TABLE 3.
INDIVIDUAL GROUPS OF BANKS'

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	52,394	+607	16,807	+134	9,162	+281	10,752	+168	14,207	+86	1,466	−62

CURRENCIES and MONEY

Dollar in demand

Dollar demand increased yesterday, encouraged by the firmness of Eurodollar interest rates, and the growing conflict in the Middle East following the advance by Israel deep into the Lebanoo. The U.S. currency opened firm, and rose further in the afternoon when U.S. centres began trading.

Sterling lost ground to the dollar, but was firm overall despite the cut in UK bank base lending rates.

DOLLAR — Trade-weighted index (Bank of England) 116.6 against 115.9 on Monday, and 106.5 six months ago. Three-month Treasury bills 12.14 per cent (10.23 per cent six months ago). Annual infistion 6.6 per cent (6.8 Per cent previous month)—The dollar rose to DM 2.4050 from DM 2.3820 against the D-mark; to FFr 6.24 from FFr 6.20 against the French franc; to SwFr 2.0435 from SwFr 2.03 in terms of the Swiss franc; and to Y246.90 from Y245.75 against the Japanese yen.

STERLING — Trade-weighted index was oochanged at 90.9, after standing at 91.1 at noon and in the morning. It was 91.7 six months ago. Three-month interbank 12 15/16 per cent (14¾ per ceot six months ago). Annual inflation 9.4 per cent (10.4 per cent previous week)—The pound opened st $1.7945-1.7955, and touched a peak of $1.7950-1.7960 in the morning. It fell to $1.7785-1.7795 in the afternoon, and closed at $1.7815-1.7825, a fall of 1 cent on the day. Sterling rose DM 4.2775 from DM. 4.27; to FFr 11.1175 from FFr 11.1075; and to SwFr 3.6425 from SwFr 3.64, but eased to Y440 from Y440.50.

D-MARK — EMS member (strongest). Trade-weighted index 123.7 against 124.2 on Monday, and 122.3 six months ago. Three-month interbank 9.125 per cent (10.625 per cent six months ago). Annual inflation 5.3 per cent (5.0 per cent previous month) — The D-mark weakened against the dollar at the Frankfurt fixing, but was not supported by the Bundesbank. In tha afternoon the U.S. currency continued to advance, finishing at the day's high of DM 2.3985, after rising to DM 2.3868 from DM 2.3850 at the fixing. Eurodollar rates declined from highs touched at noon, but the U.S. unit probably gained support from growing instability in the Middle East, and Chancellor Schmidt's recent local election reverse. Sterling rose to DM 4.2760 from DM 4.2640 at the fixing, and the Swiss franc to DM 1.1743 from DM 1.1684. The French franc also advanced as the D-mark showed mixed changes against its EMS partners.

FRENCH FRANC—EMS member (central position). Trade-weighted index was unchanged at 79.3 against 80.8 six months ago. Three-month interbank 16¼ per cent (15 7/16 per cent six months ago). Annual inflation 13.9 pér cent (14.1 per cent previous month)—Very high short term Euro French franc interest rates eased some of the immediate pressure on the franc yesterday. It gained ground against all the other members of the EMS at the Paris fixing, including the strong D-mark which fell to FFr 2.6002 from FFr 2.6046. The dollar fell to DM 6.2075 from DM 6.2135, and sterling to DM 11.1070 from DM 11.1080. Tha only major currency to advance against the French currency at the fixing was the Swiss franc, which rose to FFr 3.0495 from FFr 3.0418.

JAPANESE YEN — Trade-weighted index 134.2 against 134.7 on Monday, and 145.9 six months ago. Three-month bills 7.21875 per cent (7.15625 per cent six months ago). Annuol inflation 2.8 per cent (unchanged from previous month)—The yen improved slightly against the dollar in Tokyo, after some intervention by the Bank of Japan. The U.S. currency finished at Y245.65, compared with Y245.75 on Monday. Il opened at Y245.20, and traded within a narrow range of Y245.50 to Y245.75. The scale of central bank support for the yen was not large, but fear of intervention may have stemmed the dollar's advance.

THE POUND SPOT AND FORWARD

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7785-1.7960	1.7815-1.7825	0.23-0.33c dis	−1.88	1.02-1.12dis	−2.40
Canada	2.2350-2.2550	2.2420-2.2430	0.78-0.88c dis	−4.44	2.50-2.60dis	−4.55
Nethlnd.	4.71½-4.76½	4.72¾-4.73¾	2-1½c pm	4.44	4⅝-4⅛ pm	3.70
Belgium	80.40-81.10	80.80-80.90	16-26c dis	−3.12	75-85 dis	−3.96
Denmark	14.50-14.56	14.51½-14.52½	6¾-7½ore dis	−3.94	18¾-19¾ dis	−3.20
Ireland	1.2300-1.2370	1.2320-1.2330	0.60-0.73p dis	−6.47	1.97-2.16dis	−6.70
W. Ger.	4.26-4.29	4.27¼-4.28¼	1⅜-1⅛pf pm	3.86	4¼-3¾ pm	3.74
Portugal	129.00-130.75	129.15-129.65	105-385c dis	−22.72	340-1030dis	−21.17
Spain	190.10-191.10	190.20-190.40	55-80c dis	−4.26	245-285 dis	−5.57
Italy	2357-2370	2361-2363	21½-24½lire dis	−11.68	66-70 dis	−11.51
Norway	10.87-10.94	10.88-10.89	1⅞-2¾ore dis	−2.41	6⅞-7⅞ dis	−2.48
France	11.08-11.13	11.11¾-11.12¾	23-28c dis	−26.44	46-50 dis	−17.27
Sweden	10.57-10.61	10.57¾-10.58¾	⅝-1⅛ore dis	−0.92	2-2⅞ dis	−0.90
Japan	438-443	439½-440½	2.35-2.15y pm	6.14	6.10-5.90 pm	3.45
Austria	30.00-30.25	30.07-30.12	13½-10gro pm	4.88	34-27 pm	4.05
Switz.	3.61½-3.66½	3.63¾-3.64¾	2⅞-2⅛c pm	8.65	6⅞-6⅛ pm	7.27

Belgian rate is for convertible francs. Financial franc 87.95-88.05. Six-month forward dollar 2.17-2.27c dis, 12-month 3.62-3.72c dis.

THE DOLLAR SPOT AND FORWARD

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7785-1.7960	1.7815-1.7825	0.23-0.33c dis	−1.88	1.02-1.12dis	−2.40
Ireland†	1.4460-1.4635	1.4615-1.4635	0.62-0.52c pm	4.72	1.65-1.50 pm	4.35
Canada	1.2580-1.2585	1.2580-1.2585	0.26-0.29c dis	−2.62	0.66-0.70dis	−2.16
Nethlnd.	2.6400-2.6570	2.6540-2.6570	1.43-1.33c pm	6.24	4.02-3.92 pm	5.98
Belgium	44.90-45.38	45.36-45.38	4.7c dis	−1.48	16-20 dis	−1.59
Denmark	8.1070-8.1410	8.1360-8.1410	2.70-2.95ore dis	−4.17	3.65-4.15dis	−2.90
W. Ger.	2.3785-2.4075	2.4048-2.4055	1.18-1.13pf pm	3.76	3.65-3.80 pm	6.03
Portugal	72.00-73.00	72.50-72.75	50-200c dis	−20.65	150-525dis	−18.59
Spain	106.20-106.85	106.80-106.85	20-25c dis	−2.53	85-95 dis	−3.38
Italy	1314-1326½	1325-1326	10¾-11½lire dis	−10.18	30-32 dis	−8.36
Norway	6.0970-6.1210	6.1160-6.1210	0.20ore pm-0.20dis	—	0.20pm-0.20dis	—
France	6.1900-6.2500	6.2375-6.2425	12¾-13¼c dis	−25.56	22-24½dis	−13.27
Sweden	5.9100-5.9430	5.9380-5.9430	0.50-0.30ore pm	0.81	.00-1.80 pm	1.28
Japan	245.00-247.25	246.85-246.95	1.66-1.58y pm	7.82	4.80-4.70 pm	7.69
Austria	16.73-16.89½	16.86½-16.87½	9¼-8½gro pm	6.49	28-25 pm	6.28
Switz.	2.0160-2.0460	2.0430-2.0440	1.82-1.72c pm	10.38	4.95-4.85 pm	9.59

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 8	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.8	−30.5
U.S. dollar	116.3	+2.1
Canadian dollar	86.2	−00.0
Austrian schilling	117.1	+26.6
Belgian franc	53.0	−8.0
Danish kroner	83.7	−13.0
Deutsche mark	123.7	+47.2
Swiss franc	144.9	+94.1
Guilder	114.8	+21.6
French franc	72.3	−14.0
Lira	54.0	−58.1
Yen	134.2	+28.3

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 8	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.623704	0.560467
U.S. $	18	1.11749	1.00408
Canadian $	15.87	—*	1.26070
Austria Sch.	6¾	N/A	13.2236
Belgian F.	14	50.4365	45.0738
Danish Kr.	11	9.06676	8.14808
D mark	7½	2.66723	2.39523
Guilder	8	N/A	2.65337
French Fr.	9½	6.93682	6.22682
Lira	19	1473.13	1333.37
Yen	6¼	274.455	246.903
Norwgn. Kr.	9	6.82004	6.13387
Spanish Pta.	8	112.013	107.004
Swedish Kr.	10	6.60326	5.33711
Swiss Fr.	3½	2.27096	2.03098
Greek Dr'ch.	20½	N/A	65.8773

* C$/SDR rate for June 7: 1.40155.

OTHER CURRENCIES

June 8	£	$		£ Note Rates
Argentine Peso	26,482-26,502†	14,850-14,900†	Austria	30.00-30.30
Australia Dollar	1.7075-1.7095	0.9585-0.9590	Belgium	87¾-88¾
Brazil Cruzeiro	226.23-227.25	183.01-187.04	Denmark	14.48-14.63
Finland Markka	8.188-8.208	4.5890-4.3810	France	11.07-11.17
Greek Drachma	116.945-117.455	65.00-65.50	Germany	4.23-4.31
Hong Kong Dollar	10.37½-10.38½	5.8280-5.8320	Italy	2328-2370
Iran Rial	145.75*	81.23*	Japan	432-444
Kuwait Dinar (KD)	0.51135-0.51255	0.2873-0.2875	Netherlands	4.71½-4.73½
Luxembourg Fr.	80.80-80.90	45.36-45.38	Norway	10.88-10.98
Malaysia Dollar	4.1175-4.1275	2.3180-2.3205	Portugal	127½-132
New Zealand Dlr.	2.3550-2.3570	1.3185-1.3165	Spain	182¾-191¼
Saudi Arab. Riyal	6.1045-6.1145	3.4293-3.4315	Sweden	10.53-10.63
Singapore Dollar	3.7350-3.7750	2.1185-2.1210	Switzerland	3.63-3.68
Sth. African Rand	1.9326-1.9023	1.0883-1.0900	United States	1.78½-1.80½
U.A.E. Dirham	6.5350-6.5460	3.6718-3.6736	Yugoslavia	86-102½

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.2738	+1.29	+1.30	±1.5440
Danish Krone	8.18382	8.14806	−0.44	−0.43	±1.6428
German D-Mark	2.41815	2.39523	−0.95	−0.94	±1.1097
French Franc	6.19564	6.22628	+0.49	+0.50	±1.3743
Dutch Guilder	2.67296	2.65327	−0.74	−0.73	±1.5069
Irish Punt	0.686799	0.690942	+0.60	+0.61	±1.6689
Italian Lira	1305.13	1322.37	+1.40	+1.40	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 8	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.782	4.278	440.0	11.118	3.643	4.733	2362.	2.243	80.86
U.S. Dollar	0.561	1.	2.400	246.9	6.239	2.044	2.656	1325.	1.258	45.37
Deutschemark	0.234	0.417	1.	102.9	2.599	0.852	1.106	550.2	0.524	18.90
Japanese Yen 1,000	2.273	4.050	9.722	1000.	25.27	8.278	10.76	5368.	5.097	183.8
French Franc 10	0.899	1.603	3.848	395.8	10.	3.276	4.257	2125.	2.017	72.72
Swiss Franc	0.276	0.489	1.174	120.8	3.052	1.	1.299	648.3	0.616	22.20
Dutch Guilder	0.211	0.377	0.904	92.97	2.349	0.770	1.	499.1	0.474	17.08
Italian Lira 1,000	0.423	0.754	1.811	186.3	4.707	1.543	2.004	1000.	0.949	34.23
Canadian Dollar	0.446	0.795	1.907	196.2	4.956	1.624	2.110	1053.	1.	36.06
Belgian Franc 100	1.237	2.204	5.291	544.2	13.75	4.505	5.853	2921.	2.774	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 8)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 15/16	offer 13 1/16	bid 13 1/16	offer 13 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 8	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	13⅞-13	13¾-14	17-18	8⅝-8⅞	6-6½	8⅞-9	60-80	19-21	13½-16	14½-16	6 1/16-6 5/16	12½-21
7 day's notice	13⅞-13	14-14¼	17-18	8⅝-8⅞	5-5½	8⅞-9	50-70	23-23	14-13½	14¾-13	8⅛-7	15¾-21¼
Month	12 13/16-13 3/16	14 1/16-14 3/16	17⅝-17¾	8 5/16-8 9/16	4⅛-4⅝	8⅞-9	35-38	24-23	16½-13½	14⅞-16	8 1/16-7 5/16	18¾-20¼
Three months	13 13/16-15 1/16	14¼-13	17⅛-17¾	8 5/16-8 9/16	5-5⅛	8⅞-9	33-31	24½-25	16-17	14⅞-13	7 1/16-7 5/16	20½-21⅜
Six months	12⅝-12¾	14⅞-15⅛	17-17⅜	8⅞-9	5 5/16-5 9/16	8⅞-9	24-23½	24⅛-24¼	13¼-17¼	14¾-14⅞	7 1/16-7 5/16	19¼-20¼
One Year	12⅞-13	14⅞-15⅛	17-17⅜	8 9/16-8 13/16	5 9/16-5 13/16	8⅞-9	21½-28½	24-24⅝	16¾-16¾	14⅝-14¾	7 1/16-7 5/16	18¾-107⅞

SDR linked deposits: one-month 14½-14⅝ per cent; three months 13⅞-14⅛ per cent; six months 13½-13⅞ per cent; one year 13 5/16-13 11/16 per cent.
ECU linked deposits: one-month 16 5/16-16 11/16 per cent; three months 15½-15⅞ per cent; six months 14 5/16-14 11/16 per cent; one year 13 11/16-14⅛ per cent.
Asian $ (closing rates in Singapore): one month 14⅛-14½ per cent; three months 14⅞-13 per cent; six months 14 13/16-15 3/16 per cent; one year 14⅞-13 per cent. Long-term Eurodollar two years 15-15¼ per cent; three years 13-15¼ per cent; four years 15⅛-15⅜ per cent; five years 15⅛-15⅜ per cent; nominal closing rates. Short-term rates are call for U.S. dollars. Canadian dollars and Japanese yen; others two days' notice.
The following rates were quoted for London dollar certificates of deposit: one-month 14.10-14.20 per cent; three months 14.45-14.55 per cent; six months 14.45-14.55 per cent; one year 14.50-14.60 per cent.

MONEY MARKETS

Bank base rates cut to 12½%

UK clearing bank base lending rate 12½ per cent (since June 8)

Clearing bank base rates were cut to 12½ per cent yesterday down from 13 per cent while deposit rates for seven days fell to 9½ per cent from 10-10½ per cent. Yesterday's cut followed a downward trend in UK interest rates recently, culminating in a reduction in Bank of England dealing rates on Monday, as the market looked beyond a military settlement to the current Falkland Islands crisis and focused on recent encouraging economic indicators. Short term interest rates were correspondingly lower yesterday and the Bank of England reduced its money market intervention rates for the second day running.

The Bank cut half a point off band 1 dealing rates to 12⅝ per cent and a further ⅛ from band 2 to 12⅝-12 11/16 per cent. Band 3 rates were cut another quarter point to 12⅜ per cent and band 4 the same amount to 12¼ per cent. All bands have now been cut by half a point since last Friday with the exception of band 3 which has fallen by ⅜ of a point. Elsewhere three-month interbank fell to 12 11/16-12⅞ per cent from 12⅝-13⅛ per cent and three-month sterling CDs were lower at 12 11/16-12 13/16 per cent compared with 12⅝-12⅞ per cent.

The Bank of England forecast a shortage of £200m in the money market with factors affecting the market including bills maturing in official bands £115m, Exchequer transactions £50m and bankers balances below target £130m. On the other hand there was a fall in the note circulation of £130m. The Bank gave assistance of £231m in the morning by purchasing £12m of eligible bank bills in band 1 (up to 14 days) at 12⅝ per cent and £168m in band 2 (15-33 days) at 12⅝-12 11/16 per cent. In band 3 (34-63 days) it bought £10m at 12⅜ per cent and in band 4 (64-84 days) £24m at 12¼ per cent. It also bought £17m of local authority bills in band 4 (64-91 days) at 12¼ per cent.

During the afternoon the forecast was revised to a shortage of around £250m, before taking into account the morning's operations, and the Bank gave additional help of £20m, making a grand total of £251m. The afternoon help comprised purchases of £10m of local authority bills in band 4 at 12¼ per cent and £10m of eligible bank bills at 12¼ per cent. Discount houses were paying between 12 per cent and 12¼ per cent for secured call loans while overnight interbank money opened at 13¼-13⅜ per cent before slipping to 11½ per cent. Closing balances were taken at 15 per cent however.

EUROCURRENCIES

Eurodollars firmer

Euro-dollar rates were generally firmer yesterday, reflecting concern over increased tension in the Middle East as fighting between Israel and Syria intensified. Euro-sterling rates were a little easier following a half point cut in clearing bank base rates and the dollar's performance in forward trading reflected this widening of differentials, being quoted with an increased discount against the pound.

French interest rates registered a further rise and the franc showed a wider discount against the dollar in the forward market as the authorities sought to underpin the franc by making it very expensive to run short of the French currency, with short-term rates quoted as high as 80 per cent. Belgian rates were a little easier and the Belgian franc showed an improvement in forward trading.

MONEY RATES

NEW YORK

Prime rate	16-16½
Fed funds (lunch-time)	13⅞-13¾
Treasury bills (13-week)	12.14
Treasury bills (26-week)	12.13

GERMANY

Lombard	9.00
Overnight rate	8.00
One month	9.10
Three months	9.125
Six months	8.00

FRANCE

Intervention rate	16.0
Overnight rate	16.25
One month	16.25
Three months	16.25
Six months	13.5625

JAPAN

Discount rate	5.5
Call (unconditional)	7.15625
Bill discount (three-month)	7.21875

LONDON MONEY RATES

June 8 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	11½-16	13¼	—	—	13-13½	12-10½	—	—	—
2 days notice	—	—	15-13½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	16-13⅝	13-13½	—	—	13¼-16½	10⅛	—	—	—
One month	12⅞-12¾	12⅞-13⅛	12⅞	13⅛-13	15⅞	13¼	12⅛	15⅛	15⅛-12⅞	13¼
Two months	15¾-12⅝	15⅛-13	—	13¼-12⅞	12⅞	13⅛	12¼	12⅛-12½	10⅛-15⅝	13
Three months	12 11/16-18⅛	12 11/16-12⅞	12¾	13⅛-12¾	12⅞	13	12	12 5/16-12 7/16	12¼	15 13/16
Six months	12 11/16-10⅝	12 11/16-12 13/16	12⅝	12⅛-11¾	12⅞	—	—	—	11⅞-11½	12½
Nine months	10 11/16-12⅝	15 11/16-10 13/16	—	13-10⅝	12⅞	—	—	—	—	—
One year	12 11/16-12⅞	10 11/16-10 13/16	12¾	10⅞-18⅛	10⅞	—	—	—	—	—
Two years	—	—	13⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13¾ per cent; four years 13⅞ per cent; five years 13¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅝-12 9/16 per cent; four months trade bills 12¾ per cent.

Approximate selling rates for one month Treasury bills 12 7/32-12½ per cent; two months 12 7/32-12¼ per cent; three months 12 3/32-12⅛ per cent. Approximate selling rate for one month bank bills 12 23/32-12½ per cent; two months 12⅝ per cent and three months 12 9/32-12 3/32 per cent; one month trade bills 13 per cent; two months 12¾ per cent; three months 12 9/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 12½ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 9½ per cent. Treasury Bills: Average tender rates of discount 12.6875 per cent.

Certificates of Tax Deposit (Series 6) 13 per cent from June 8. Deposits withdrawn for cash 10½ per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Allied Hambro Ltd. (a) (g)

Barclays Unicorn Ltd. (a)(c)(g)

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

Brown Shipley & Co. Ltd. (a)(g)

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dunbar Unit Trust Mngrs. Ltd.

Equity & Law Un. Tr. M. (a) (b) (c)

Fidelity International Management Ltd.

Framlington Unit Mgt. Ltd. (a)

Gartmore Fund Managers (a)(g)

G.T. Unit Managers Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

M & G Group (y)(c)(z)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

Schroder Unit Trust Managers Ltd.

Target Tst. Mngrs. Ltd. (a) (g)

Tyndall Managers Ltd. (a)(c)(g)

NOTES

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Property Fund	227.5	[illegible]	[illegible]	—
Equity Fund	83.9	[illegible]	[illegible]	—
Property Acc.	286.5	[illegible]	[illegible]	—
Equity Acc.	53.6	[illegible]	[illegible]	—
Selective Fund	152.0	160.0	[illegible]	—
Money Fund	166.5	[illegible]	[illegible]	—
Convertible Fund	178.4	[illegible]	[illegible]	—
Prop. Fd. Ser. 4	210.2	[illegible]	[illegible]	—
Equity Ser. 4	57.5	[illegible]	[illegible]	—
Man. Ser. 4	[illegible]	[illegible]	[illegible]	—
Money Ser. 4	151.0	[illegible]	[illegible]	—
Conv. Ser. 4	157.1	[illegible]	[illegible]	—
Fixed Int. Fd. Ser. 4	118.8	[illegible]	[illegible]	—
American Ser. 4	106.4	[illegible]	[illegible]	—
High Inc. Ser. 4	119.2	[illegible]	[illegible]	—
Indexed Inv. Series 4	[illegible]	[illegible]	[illegible]	—
Pension Property	[illegible]	[illegible]	[illegible]	—
Pension Equity	[illegible]	[illegible]	[illegible]	—
Pension Selective	[illegible]	[illegible]	[illegible]	—
Pension Managed	[illegible]	[illegible]	[illegible]	—
Pension Security	221.7	[illegible]	[illegible]	—
Pension Fixed Int.	115.5	121.6	[illegible]	—
Pension Indexed Inv.	97.0	102.2	[illegible]	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	326.9	344.0	+0.4	—
Fixed Int. Acc.	197.7	208.1	—	—
Gtd. Money Fd. Ac.	155.9	164.1	—	—
Intl. Man. Fd. Acc.	142.0	149.4	−1.3	—
Intl. Fxd. Int. Fd.	106.8	112.3	−0.5	—
Prop. Fd. Acc.	159.0	167.3	—	—
M'ple Inv. Acc.	[illegible]	[illegible]	−0.4	—
Equity Pen. Fd. Acc.	450.9	474.6	+0.7	—
Fixed I. Pen. Acc.	319.0	[illegible]	—	—
G'td Mon. Pen. Acc.	215.7	227.0	+0.1	—
Intl. Mn. Pn. Fd. Acc.	163.6	172.1	−1.5	—
Prop. Pen. Acc.	209.5	220.5	—	—
M'ple Inv. Pen. Acc.	366.4	385.7	−0.6	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	197.7	208.3	—	—
Money Fd.	143.3	150.8	—	—
Equity Fd.	152.6	[illegible]	—	—

Crown Life—Continued

St. George Mangd. Fd.	109.7	[illegible]	—	—
Lines & Gen. Fd.	121.0	[illegible]	—	—
Sage Fd.	[illegible]	[illegible]	—	—
Heritage Fd.	[illegible]	[illegible]	—	—
DBS Managed	105.1	110.6	—	—
Crown. Bril. Inv. A	227.6		—	—
Pens. Mixed. Fd.	149.8	155.2	+0.9	—
Pens. Mang'd. Acc.	111.8	117.4	+0.8	—
Pens. Mang'd. Init.	[illegible]	[illegible]	+0.7	—
Pens. Equity Acc.	[illegible]	[illegible]	+1.5	—
Pens. Equity Init.	100.6	[illegible]	+1.3	—
Pens. Fxd. Int. Acc.	108.0	[illegible]	+0.3	—
Pens. Fxd. Int. Init.	[illegible]	[illegible]	+0.3	—
Pens. Money Acc.	104.3	110.0	+0.1	—
Pens. Money Init.	104.4	[illegible]	—	—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N 4DJ. 488 2323

Growth Prop June 8	110.7	120.7	—	—
Managed Pens May 12	116.1	122.9	—	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	80.4	83.4	+0.8	5.94

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	192.7	202.8	+1.7	—
Higher Inc. Fund	123.7	130.2	+1.0	—
Property Fund	191.5	201.5	+0.1	—
Fixed Interest Fund	143.2	150.7	−0.1	—
Index Linked Secs Fnd.	93.6	98.5	—	—
Gtd. Deposit Fund	135.1	142.2	+0.2	—
Nth. America Fund	102.1	107.4	−0.9	—
Far East Fund	84.9	89.3	−0.1	—
International Fund	97.5	102.6	−0.2	—
Mixed Fund	168.4	177.2	−0.2	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	190.4	200.4	—	—
Ind. Pen. Property	142.9	150.4	—	—
Ind. Pen. Fixed Int.	136.0	143.1	—	—
Ind. Pen. Indx Lk. Scs.	101.4	106.7	—	—
Ind. Pen. Overseas	152.9	160.9	—	—
Ind. Pen. Cash	134.2	141.2	—	—
Ind. Pen. Balanced	152.9	160.9	—	—
Ind. Pen. Dep. Admin.	134.0	141.0	—	—

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
98⅞	95⅝	Exch. 9¼pc 1982	98⅞	+⅛	9.36	12.92
98½	94⅜	Exch. 8¼pc 1983	98⅜xd	......	8.89	11.78
95¼	91	Exch. 3pc 1983	95¼	+¼	3.15	10.10
99½	95¾	Treasury 12pc 1983‡‡	99½	......	12.06	12.57
98	92¾	Treasury 9¼pc '83	97¾	–¼	9.46	11.46
102	96⅞	Exch. 13½pc '83	101¾	–¼	13.27	12.09
98⅛	91⅞	Exch. 10pc 1983	98⅛xd	......	10.19	11.38
94½	87⅜	Funding 5½pc '82-84‡‡	94½xd	+½	5.82	10.00
98⅜	91⅞	Exch. 11¼pc 1984	98⅛	–⅛	11.45	12.37
102⅞	96¼	Exchequer 14pc 1984	102¼	–⅛	13.69	12.64
89½	81⅛	Exch. 3pc 1984	89½xd	......	3.35	8.77
98½	91½	Treasury 12pc 1984	98¼	–¼	12.21	12.83
104½	96¼	Treasury 15pc 1985	104⅜	–⅛	14.37	12.98
98⅞	89½	Exch. 12pc Cnv. '85	98¼	–¼	12.21	12.72
83	73½	Treasury 3pc 1985	83	+¼	3.61	9.77
97¼	87½	Treasury 11½pc 1985	97¼xd	+⅛	11.83	12.63
98⅜	88⅝	Exch. 12¼pc 1985	98⅜	......	12.45	12.82
96¼	86⅛	Exch. 11¾pc '86	96¼	......	12.21	13.02
79	69	Treasury 3pc 1986	78¾	–¼	3.81	9.60
97¼	86¾	Treasury 12pc '86	97¼xd	......	12.34	12.91
90½	80⅜	Treasury 8¼pc '84-86‡‡	90½xd	+¼	9.39	11.48
—	—	Treas. 12¾pc '86(£30pd)●	£97¾	......	12.53	12.98
102¾	91⅞	Exch. 14pc 1986	102⅞	–⅜	13.68	13.17
103⅞	90	Exch. 13¼pc 1987	100⅛	–¼	13.23	13.15
100⅞	84⅞	Do A	100⅛	–¼	13.23	13.15
82½	73⅞	Funding 6½pc '85-87‡‡	81¾	......	7.95	11.47

Five to Fifteen Years

1982 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
73¼	64½	Treasury 3pc 1987	72⅞	......	4.13	9.98
98¼	85⅞	Treas. 12pc 1987	95⅞	–¼	12.68	13.39
84¾	72½	Treasury 7¾pc '85-88‡‡	84¾	......	9.45	12.28
67⅞	60¼	Transport 3pc '78-88	67⅞xd	+¼	4.41	10.20
94	79⅞	Treasury 11½pc 1989	93¾	–¼	12.72	13.72
67¾	62½	Treasury 5pc '86-89	67½	–¼	7.49	11.90
101½	85⅞	Treasury 13pc 1990‡‡	95¼xd	–⅜	13.47	13.76
96⅜	85⅝	Exch. 12½pc 1990	96¼	–¼	13.36	13.86
80¼	70½	Treasury 8¼pc '87-90‡‡	79½xd	......	10.36	12.32
93½	77⅞	Treasury 11¾pc 1991	88⅝xd	–¼	13.11	13.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked & Variable Rate

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS—Continued

Financial

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS AND HIRE PURCHASE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS & H.P.—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES AND SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING MACHINE TOOLS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australian

[illegible]

Tins

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
155	155	Idris 10p	155#	......	♦‡9.0	0.8	‡
24	15	Jantar 12½p	15xd	......	1.5	♦	14.3
130	80	Kamunting $M0.50	85	......	†Q27½c	0.8	7.7
426	366	Killinghall $M1	390	......	hQ60c	♦	3.7
98	60	Malaysia Mng. 10c.	67	+2	Q25c	1.1	8.9
42	30	Pahang	32	+2	‡0.63	0.8	‡
450	280	Pengkalen 10p	340	+3	♦1.0	—	0.4
330	240	Petaling $M1	240	......	‡Q60c	♦	‡
200	155	Sungei Besi $M1.	180	......	‡Q310c	1.1	‡
110	75	Supreme Corp. $M1.	85	......	gQ15½c	♦	4.4
110	100	Tanjong 15p	102	......	3.5	3.7	4.9
85	70	Tongkah H. Tin $Sm	70	......	‡Q25%	1.3	‡
255	192	Tronoh $M1	192xd	−3	Q50c	2.3	6.2

Copper

325	195	Messina R0.50	210	+10	Q60c	5.2	15.9

Miscellaneous

40	20	Anglo-Dominion	23	......	—	—	—
16½	13	Burma Mines 10p	13	......	0.55	1.0	6.0
130	95	Colby Res. Corp.	55	......	—	—	—
292	190	Cons. Murch. 10c.	200	+10	‡Q60c	1.9	‡
8	3	‡‡Explaura Gold	5	......	—	—	—
105	65	Highwood Res.	70	......	—	—	—
255	165	Northgate C$1	190	......	—	—	—
468	407½	R.T.Z.	420xd	+8	16.0	2.1	5.4
£100½	£93½	Do.9½%Cv.Ln.95-2000	£95½xd	......	Q9½%	30.0	†10.0
20	12	Sabina Inds. C$1.	12	−2	—	—	—
44	27	‡Southwest C. 10p	36	−3	—	—	—
500	270	Tara Exptn. $1	315	−5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	40	......	Conv. 9% '80/82	£97⅞	......
Bertrams	17#	......	Nat. 9¾% 84/89	£71¼	+¼
Bdg'wtr. Est. 50p	410	......	Fin. 13% 97/02	£74¾	+¼
Craig & Rose £1	£12¾	......	Alliance Gas	77	......
Finlay Pkg. 5p	28	......	Arnott	280	......
Graig Ship. £1	£26	......	Carroll (P.J.)	74xd	−1
Higsons Brew	90	......	Concrete Prods.	75	......
Holt (Jos) 25p	720	+45	Helton (Hldgs.)	20	......
I.O.M. Stm. £1	120	......	Irish Ropes	36	......
Pearce (C. H.)	£10¾	......	Jacob	70	......
Peel Hldgs.	145	......	T.M.G.	8	......
Sheff. Refrshmt	73	......	Unidare	44	......
Sindall (Wm.)	215	+10			

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	8	House of Fraser	15	Utd. Drapery	7
BOC Intl.	15	I.C.I.	24	Vickers	16
B.S.R.	6½	"Imps"	8	Woolworths	5
Babcock	10	I.C.L.	5½		
Barclays Bank	42	Ladbroke	15	Property	
Beecham	21	Legal & Gen.	19	Brit. Land	7½
Blue Circle	48	Lex Service	10	Cap. Counties	10
Boots	19	Lloyds Bank	42	Land Secs.	28
Bowaters	24	"Lofs"	6½	MEPC	28
Brit. Aerospace	17	London Brick	7	Peachey	14
B.A.T.	38	Lucas Inds.	28	Samuel Props.	11
Brown (J.)	7	"Mams"	12	Town & City	3½
Burton Ord.	15	Mrks. & Spncr	12		
Cadburys	9	Midland Bank	30	Oils	
Courtaulds	0	N.E.I.	9	Brit. Petroleum	26
Debenhams	7	Nat. West. Bank	38	Burmah Oil	10
Distillers	15	P & O Dfd.	14	Charterhall	6
Dunlop	6½	Plessey	32	KCA	14
Eagle Star	31	Racal Elect.	35	Premier	8
F.N.F.C.	4	R.H.M.	6½	Shell	30
Gen. Accident	28	Rank Org. Ord.	20	Tricentrol	22
Gen. Electric	65	Reed Intnl.	26	Ultramar	38
Glaxo	48	Sears	8		
Grand Met.	17	T.I.	13	Mines	
G.U.S. 'A'	45	Tesco	5½	Charter Cons.	25
Guardian	25	Thorn EMI	42	Cons. Gold	45
G.K.N.	13	Trust Houses	11	Lonrho	7
Hawker Sidd	38	Turner & Newall	11	Rio T. Zinc	42
		Unilever	55		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

هكذا من الأصل

FINANCIAL TIMES
Wednesday June 9 1982

EEC renews steel controls

BY JOHN WYLES IN LUXEMBOURG

THE EUROPEAN Community's mandatory controls on steel production were renewed in Luxembourg for another year yesterday after Italy allowed its objections to be overriden.

EEC industry ministers reached agreement with far greater ease than expected. The Ten were clearly anxious to remove doubts about the immediate future of their steel restructing policy before the announcement in Washington tomorrow of the U.S. Department of Commerce's preliminary findings on a number of anti-dumping complaints against EEC steel companies.

In particular, they reaffirmed support for the timetable of eliminating by 1985 government aid which U.S. producers have alleged allows exports at unfair, subsidised prices.

The ministers did not discuss the question of third countries taking advantage of recent EEC steel price increases to push up exports to the Community.

British steel industry officials have expressed alarm over this trend in the past week but Mr Patrick Jenkin, Britain's Industry Secretary, felt unable to press the issue because British trade statistics are still several months in arrears.

According to Mr Jenkin, ministers also acknowledged that existing closure plans will still leave too much surplus production capacity by 1985. He said they agreed on the need for a 30m tonnes cutback in the next three years—from current levels of about 200m tonnes.

Mr Jenkin said this meant there would have to be "consideration" of further restructuring in the British Steel Corporation's next corporate plan about which he hoped to make an announcement next week.

He also reported failure in his efforts to have special steels included in the production quota regime, but the European Commission has agreed to monitor imports into the UK and to report back in October.

Mr Bill Sirs, general secretary of the UK Iron and Steel Trades Federation, who was also in Luxembourg, said no further cuts should be allowed in the British steel industry.

Unlike the present arrangements, the new quota regime which comes into force on July 1 will include wire rod production. This means that about 80 per cent of the EEC's steel output will be covered by mandatory controls. Most of the balance is subject to voluntary limitations agreed among the Community's steel producers.

The other significant change is that the number of small producers eligible for possible special treatment on quotas has been increased by a rise in the production limitation from 60,000 to 100,000 tonnes a year.

The impact of the 12 month quota regime has been an increase in prices of about 25 per cent which has reduced losses across the EEC industry and facilitated the tightening of controls on government help.

It has created special problems for Italy, however, which took up a considerable amount of Ministers' time yesterday. Rome requested a 720,000-tonne increase in quotas for its producers on a variety of grounds.

It secured agreement on a 240,000-tonne increase of pipe plate, and 120,000 tonnes of rolled sheet. However, consultations with Eurofer, the steel producers' organisation, produced an offer of only 150,000 tonnes on the 360,000 tonnes of crude steel production which Italy wanted to keep, but which had slipped into its quota through computer error.

BRITAIN and France are on the verge of settling their dispute over fishing rights in British coastal waters. If talks succeed fully they could remove the most acrimonious stumbling block to the establishment of an EEC Common Fisheries Policy, a goal that has eluded the European Community inspite of six years of negotiation. Page 2

Yorkshire miners join NHS pay dispute

By Brian Groom, Labour Staff

HEALTH SERVICE unions claimed success last night as more than 60,000 miners and other non-NHS workers joined their third 24-hour strike in support of a 12 per cent pay claim.

But in the Commons, Mr Norman Fowler, Social Services Secretary, gave no indication that he was prepared to make concessions.

The Yorkshire coalfield was brought to a near-standstill as 42,000 miners walked out in support, halting 47 out of 57 pits. Production of 100,000 tonnes of coal worth £3m was lost. Although miners made up the bulk of those taking sympathetic action, railwaymen, postmen, council workers and others joined picket lines.

The two biggest TUC health unions, the National Union of Public Employees (Nupe) and the Confederation of Health Service Employees (Cohse), claimed that 700,000 health workers took part in the strike.

Troops were not used during the day but in Northern Ireland, the Royal Ulster Constabulary and the Knights of Malta stepped in to provide emergency ambulance cover. Ambulancemen later relented and agreed to man cardiac units and answer "extreme" emergency calls.

Insufficient emergency cover was also reported in some places, including hospitals in Leeds, Rotherham, St Helen's and Tooting, South London. Management and staff volunteers provided cover.

The Department of Health and Social Security acknowledged this was the biggest strike so far, with the strongest support in some parts of the North, particularly Yorkshire. Many areas were reduced to accident and emergency services, but the national picture remained patchy.

In Glasgow, health workers at four hospitals said they were extending the strike to three days. In Edinburgh, the situation at the 950-bed Royal Infirmary was described as critical after pickets prevented linen being taken in or out.

In the Commons, Mr Fowler said: "We strongly deplore the action being taken."

He gave no clear indication whether he was prepared to sit out the dispute or may consider increasing the 4 to 6.4 per cent offers to 1m NHS workers. He is believed to have decided against arbitration.

Clarification of Mr Fowler's intentions may come today when he meets Dame Catherine Hall, general secretary of the Royal College of Nursing.

The TUC Health Services Committee may decide today to step up the dispute. Nupe wants an all-out strike, while Cohse wants selective strikes.

Miners join pickets and Fowler deplores stoppage, Page 12

THE LEX COLUMN

Bank lending on parole

Index rose 1.4 to 594.0

Bank base rates were trimmed by half a point to 12½ per cent yesterday—most of the clearers cultivated their margins by lowering deposit rates by ¾ point—and the Bank of England gave its blessing to the whole operation by a wholesale reduction in its bill dealing rates. But gilt-edged ended the day rather lower, out of breath after two weeks' advance and slightly discouraged by the preliminary May banking figures.

The public sector's return to its normal state of financial deficit after an exceptionally long tax-paying season was always going to reduce the total of private sector loan demand last month. In the light of this the fall from a recent average of £1.8bn to £1bn or so, seasonally adjusted, is really no better than it ought to be, particularly since the corporate sector, having financed its tax payments and not yet started serious stockbuilding, should have a cyclically low borrowing requirement. Yesterday's wholesale price figures, showing a fall in raw material costs, suggest another source of comfort for corporate cash flows.

Once again the personal sector is making all the running. It may be argued that its behaviour as a borrower is not going to be affected by the odd half point off interest rates, and that recent declines in nominal rates have simply kept real rates from rising and choking off a feeble economic recovery. But unless U.S. rates fall steeply, there is not much at present to justify a significant further decline in the cost of money in London.

Equities

The FT-A All-Share Index has broken new ground this week against a background of painfully slow economic recovery and unresolved conflict in the South Atlantic.

Yet, by contrast with the recovery of early 1981, this year's spring rally has been a fairly modest and patchy affair. The All-Share Index stands only 4 per cent above its February average. The equity market has probably been held back by the Falklands, although this seems already to be a diminishing influence. But it has also had little about which to enthuse. Only in the building sector has there been much evidence of a revival in demand.

The profits of companies reporting on the year to March have rarely exceeded outside forecasts by much and have often been aided greatly by the weakness of sterling against the dollar on the balance-sheet dates. But there have been equally few disappointments, while the recovery in earnings and, to a lesser extent, dividends is now plain for all to see.

The market is underpinned by the strength of institutional cash flow, which so far this year has found little outlet in new equity offerings. It also looks more attractive in relation to gilt-edged, now that the yield gap between the All-Share and high coupon 25-year stocks has fallen to 7 per cent.

But the gap should be narrowing in any case as inflation falls, while the positive influence of lower price inflation on consumer confidence has yet to be established. The consumer goods sector has led the market up this year, but is still waiting for an advance in volume.

Bass

Bass has turned in some of the poorest results of the brewery sector in the half-year to April, with pre-tax profits down 16 per cent at £43.1m. Without an extra £4m of property profits the decline would have been 25 per cent. The borrowing costs of acquiring Coral has been one factor in the decline, exacerbated by a poor performance from the new business. But more worrying for the group has been the pressure on brewing volume. Turnover in drinks overall is up a mere 2 per cent, implying a volume decline approaching 10 per cent.

With one of the narrowest trading bases of the big brewers, Bass has been particularly vulnerable to the fall in beer consumption, while it seems — with hindsight — to have under-estimated the benefits enjoyed from the Ansells strike in the corresponding period. Nevertheless, given the extent of the squeeze, a decline in trading profits in drinks (and amusement machines) of 10 per cent, excluding property, represents defensive strength.

A healthier volume trend now emerging in the industry means that the group should be able to match last year's £125.6m outcome. Bass stock has been a disappointing performer in recent years, and the company's image with investors has not been helped by the inadequacy of its published information. The shares fell 7p yesterday to 240p, where the prospective yield is about 6 per cent.

Midland Bank

Like Barclays a few months ago, Midland Bank has come to the sterling market for loan capital — only it is picking up its £100m on a yield some 1.8 percentage points below its rival; Charging bond interest is a less offensive way of reducing taxable profits than elaborate leasing schemes, and a 14 per cent coupon, allowable for tax, makes much more sense than the issue of new shares on a yield of perhaps 12 per cent payable out of net income. That said, Midland's free equity ratio is less than 2 per cent, and subordinated debt will now make up more than a quarter of its capital base. But the equity it needs must come through retentions, not rights.

£100m loan stock issue by Midland

By Alan Friedman

MIDLAND Bank has become the second British bank this year to raise £100m through a 25-year unsecured loan stock.

The issue bears a 14 per cent coupon—the fixed rate of interest—and is priced at a small discount so that a buyer pays £98.55 for every £100 of stock. This provides a yield of 14.22 per cent at redemption.

The Midland issue came four months after Barclays Bank decided to pay 16 per cent on its £100m, 25-year loan stock, an issue which ranked as the largest, straight, fixed-interest stock for a commercial UK borrower in the domestic market.

The issue, whose price gives it an interest margin of 0.9 of a percentage point over a basket of three Government stock issues, is to improve Midland's capital base. Barclays Bank, when it launched its loan stock in early February, said it was paying about three-quarters of a percentage point over the going rate for comparable Government stock issues.

Mr Charles Davies, Midland's assistant general manager (finance), said last night: "This bond is designed to increase our free capital ratio, which was getting low and could have inhibited the natural growth of the bank."

At the last year-end Midland Bank's free capital ratio—the bank's adjusted base against deposit liabilities — stood at 3.5 per cent. The addition of £100m to the capital base will nudge the ratio up to 3.8 per cent.

Mr Davies said the bank had decided to launch the £100m, 2002-07 issue in sterling, partly because it had relatively little subordinated debt that which ranks behind depositors' debt with the bank) in that currency. At the last count, Midland had U.S.$845m (£472m) in the American currency, DM180m (£42.2m) in the German currency, and less than £100m in British currency.

On a fixed-rate coupon basis, Midland is paying 2 per cent less for its money than Barclays: the issue price suggests an underlying saving of 1½ per cent.

Placing of the issue was completed last night by Samuel Montagu, Midland's merchant bank subsidiary. Stockbroker to the issue is Cazenove and Co.

Output prices rise 0.5%

BY ROBIN PAULEY

MANUFACTURERS' OUTPUT prices increased by only 0.5 per cent last month. The annual rate of increase of industry's raw material costs fell to its lowest since November 1978.

These new figures have given a boost to Government optimism that inflation is well under control after sharp rises in the monthly figures for April caused some temporary anxiety.

Output prices—the prices charged by manufacturers to wholesalers—are a reliable early signal of the movement of inflation as measured by prices of goods in the shops.

The annual rate of retail price rises is already in single figures, and yesterday's figures indicate that further reductions are likely.

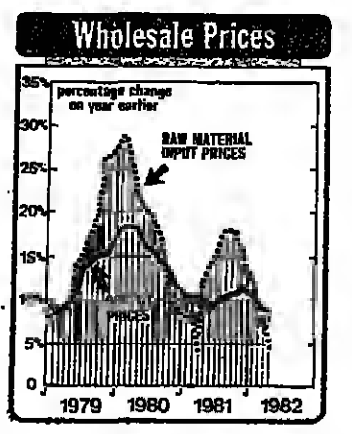
The Industry Department said that output prices rose by 0.5 per cent in May compared with 0.8 per cent in April. This took the index for the factory-gate prices of British manufactured goods to 238.3 (1975=100).

The year-on-year increase fell to 8.7 per cent, compared with 8.8 per cent in April, the fifth consecutive fall. The annual rate is now at its lowest level since February 1979.

The index for cost of industry's fuel and raw materials fell by 0.75 per cent in May, having increased by 1.25 per cent in April and fallen by 2 per cent in March. These erratic figures reflect movements of oil prices and value of sterling.

The May figures were helped by a rise in value of sterling against the dollar, producing lower sterling prices for many raw materials, particularly crude oil. The reverse was true in April, a higher sterling price for crude taking the figures up.

The May fall took the input price index to 236.9 (1975=100).



The change in the index on a year-on-year basis fell sharply from 7.75 per cent in April to 4.75 per cent in May, lowest figure since November 1978 and the seventh consecutive fall in the annualised rate.

There could be further falls, depending on the movement of sterling against the dollar.

The principal cause of the output prices rise in May was dearer tobacco products. Though the input index fell, part of the benefit of cheaper oil was offset by higher prices for materials bought by food-manufacturing industries.

The final seasonally-adjusted index for volume of retail sales in April is 105.9 (1978=100), against 106.6 in March. This is only fractionally over the poor figures of 105.5 and 105.4 for the third and fourth quarters last year. The first-quarter figure for 1982 was 106.6, the same as that of 1981.

In April £728m of new credit was advanced by finance and credit houses and retailers. Total new advances in the three months to April were 8 per cent higher than in the previous three months.

Export of services down, Page 10

UK—Japan telecom deal likely

BY GUY DE JONQUIERES

BRITAIN and Japan are close to agreement on a framework for bilateral co-operation in telecommunications technology.

The agreement would cover both industrial collaboration and joint efforts in long-term research and development.

The two countries have been discussing a joint approach for several months. An agreement is expected to be initialled in London today by representatives from both governments and their telecommunications authorities.

The agreement is understood to cover three broad areas:

1. The exchange of telecommunications administrations and industrial companies in Britain and Japan.

2—A joint study on possible co-operation on clearly-defined long-term research projects aimed at achieving breakthroughs in advanced telecommunications technology. Such projects could involve exchanges between universities as well as national telecommunications laboratories and companies.

3—Discussion of ways to concert the British and Japanese positions in the International Telecommunications Union (ITU).

The union is a 155-member inter-government organisation which seeks to coordinate world telecommunications policies, particularly in the developing countries.

Britain is also seeking collaboration between UK and Japanese companies on assembling a package of low-cost telecommunications systems suitable for use in developing countries, although this will be subject to further negotiations.

It was emphasised in London yesterday that implementing the agreement would require further discussion and the negotiation of detailed arrangements between the different parties involved in the two countries.

No firm projects have yet been agreed for joint research and development. But the British Government is pressing for collaboration on the development of new communication techniques to link the advanced Fifth Generation Computer systems which Japan plans to build by the early 1990s.

Such techniques could involve the use of light signals to switch, as well as to transmit, communications, and systems which would give simultaneous translation of conversations between speakers talking in different languages.

The discussions in London this week have included participants from Britain's Industry Department, British Telecom, the Post Office and Plessey. Japan has been represented by officials from the Ministry of Posts and Telecommunications; Nippon Telephone and Telegraph, the domestic telecommunications monopoly; KDD, which handles international communications, and the Japanese Post Office.

The talks started after a visit to Japan last autumn by Sir Keith Joseph, the former Industry Secretary. Japan and Britain have already agreed on joint ventures in several fields of communications technology.

GEC-Marconi of Britain is collaborating with Mitsubishi of Japan on the international marketing of satellite earth stations, while the British Post Office is conducting trials of a compact, low-cost facsimile transmission system developed by the Japanese.

Weather

UK TODAY

SUNNY periods and dry after early fog.

England, Wales, S. W. Scotland, N. Ireland
Sunny periods, very warm, cooler with fog on some coasts. Max 25C (77F).

N. E. Scotland, Orkney, Shetland
Sunny intervals, cloud. Max 15C (59F).

Rest of Scotland
Sunny periods, cooler on coasts. Max 22C (72F).

Outlook: Hot with thundery rain, then much cooler and unsettled.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio		—	—	L. Ang.†		—	—
Algiers		—	—	Luxmbg.	S	25	77
Amsdm.	S	22	72	Luxor		—	—
Athens	S	25	77	Madrid	S	27	81
Bahrain	S	34	93	Majorca	S	27	81
Barclna.	S	25	77	Malaga	S	28	82
Beirut		—	—	Malta	S	25	77
Belfast	F	21	70	M'chstr	F	25	77
Belgrd.	F	23	73	Melbne.	S	11	52
Berlin	F	24	75	Mx. C.†		—	—
Biarritz	S	23	73	Miami†		—	—
Bmghm	R	18	64	Milan		—	—
Blackpl.	S	20	68	Montrl.†		—	—
Bordx	S	25	77	Moscow	C	9	48
Boulgn.		—	—	Munich	S	23	73
Bristol	F	23	73	Nairobi	C	23	73
Brussels	S	24	75	Naples	F	25	77
Budpst.		—	—	Nassau		—	—
Cairo	S	30	86	Nwcstl	S	18	64
Cardiff	C	22	72	N. York†		—	—
Cas'bl'ca		—	—	Nice	F	23	73
Cape T.	S	20	68	Nicosia		—	—
Chicg.†		—	—	Oporto		—	—
Cologne	F	25	75	Oslo	F	20	63
Cpnhgn.	S	21	70	Paris	S	25	77
Corfu		—	—	Perth	F	17	63
Denver†		—	—	Prague		—	—
Dublin	F	19	66	Rykjvk.		—	—
Dbrvnk.		—	—	Rhodes		—	—
Edinbgh.	S	18	64	Rio J'o†		—	—
Faro		—	—	Rome	S	26	79
Florence	S	28	82	Salzbrg.		—	—
Frankfr.		—	—	S'cisco†		—	—
Funchal		—	—	S. Mrtz.		—	—
Geneva	S	25	77	Singapr.	F	33	91
Gibrltr.	S	23	73	S'tiago†		—	—
Gl'sg'w	F	21	70	Stckhm	C	13	55
G'rnsey	F	20	66	Strasbg.		—	—
Helsinki		—	—	Sydney	F	16	61
H. Kong	T	26	79	Tangier		—	—
Innsbrk	F	24	75	Tel Aviv		—	—
Invrnss	F	18	64	Tenerife		—	—
I. o Man	F	17	63	Tokyo	S	28	82
Istanbul		—	—	T'r'nto†		—	—
Jersey	F	21	70	Tunis		—	—
Jo'burg	S	16	61	Valencia		—	—
L. Pims.	F	22	72	Venice	S	29	84
Lisbon	S	23	73	Vienna	S	22	72
Locarno		—	—	Warsaw		—	—
London	S	24	75	Zurich		—	—

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

Reagan

strongly denying that it involved "cultural imperialism."

Mr Reagan said that the U.S. planned to consult leaders of other nations on the scheme. He pointed to a Council of Europe proposal to invite parliamentarians from democratic countries to a meeting in Strasbourg next year as a possible opportunity to conduct such consultations.

There would also be an international meeting on free elections in Washington in November, and next spring a conference of world authorities on constitutionalism and self-government hosted by the Chief Justice of the U.S., he said.

While the Soviet Union was not immune from "internal" democratic protest movements, as in Poland, he did not ask for "an instant transformation" in Soviet society.

"At the same time we invite the Soviet Union to consider with us how the competition of ideas and values, which it is committed to support, can be conducted on a peaceful and reciprocal basis."

Israel Continued from Page 1

sation (PLO), in Lebanese sovereignty.

● The removal of the Palestinian guerrillas from Lebanon.

● The creation of a demilitarised zone, 25 miles deep, north of the Israeli border.

Heavy fighting raged on several fronts. The ancient port city of Tyre in the south was reported to be in flames and 10,000 people had been placed under Red Cross care.

There were fierce battles in and around Sidon—Lebanon's third largest city, with a population of 250,000—and Damour, the last main PLO stronghold on the coast south of Beirut.

Israel claimed to have shot down six Syrian jets during the day, including two in a dog-fight over northern Israel, and Mr Begin urged Damascus not to become involved in the fighting. Syria is estimated to have 30,000 troops in Lebanon. The Syrians claimed to have destroyed a number of Israeli aircraft.

A senior Israeli officer told correspondents that a number of Syrian tanks had been hit by Israeli fire. He stressed that there had been only clashes between small field forces, and no major armoured battles.

Mr Philip Habib, the special U.S. envoy to the region, met Mr Begin twice yesterday. He did not appear to have moved the Israeli leader from his troops will not leave the areas captured in Lebanon until a permanent new arrangement can be reached. He was reported to be flying to Damascus today.

Israel was believed to control most of the coast road from Beirut to the south and has also moved in strength into the central Chouf area, which overlooks heavy concentrations of Syrian troops in the Bekaa Valley. Lebanese officials confirmed that Israeli forces had moved into Beiteddine, the capital of the Chouf region and were pushing on.

Palestinian guerrilla commanders insisted that the loss of their bases in the south would not halt their operations. We don't care how much land the Israelis occupy because our guerrillas will continue their hit-and-run operations behind enemy lines," one said.

Syrian official communiques also became more belligerent during the day. A military spokesman said that the Israelis had widened their aggression. "Our land troops and air force are confronting enemy armour and using all the means at their disposal. We have inflicted heavy casualties on the Israelis," he said.

Israel reported yesterday morning that 25 of its soldiers had been killed in the first two days of fighting, which began on Sunday. Another 96 had been wounded and seven were missing.

Palestinian guerrilla losses are likely to have run into several hundreds. There is certain to be a heavy civilian casualty toll.

● The wife of Mr Shlomo Argov, the Israeli ambassador to Britain, who was still unconscious last night after an attempt on his life last Thursday, is to attend a mass rally at the Royal Albert Hall on Sunday, which will call for closure of the PLO's London office.